

A USEFUL LOOK AHEAD FROM WASHINGTON

JULY 1975

# Nation's Business

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**PRODUCTIVITY—  
How to Beat Inflation  
And Boost Earnings**





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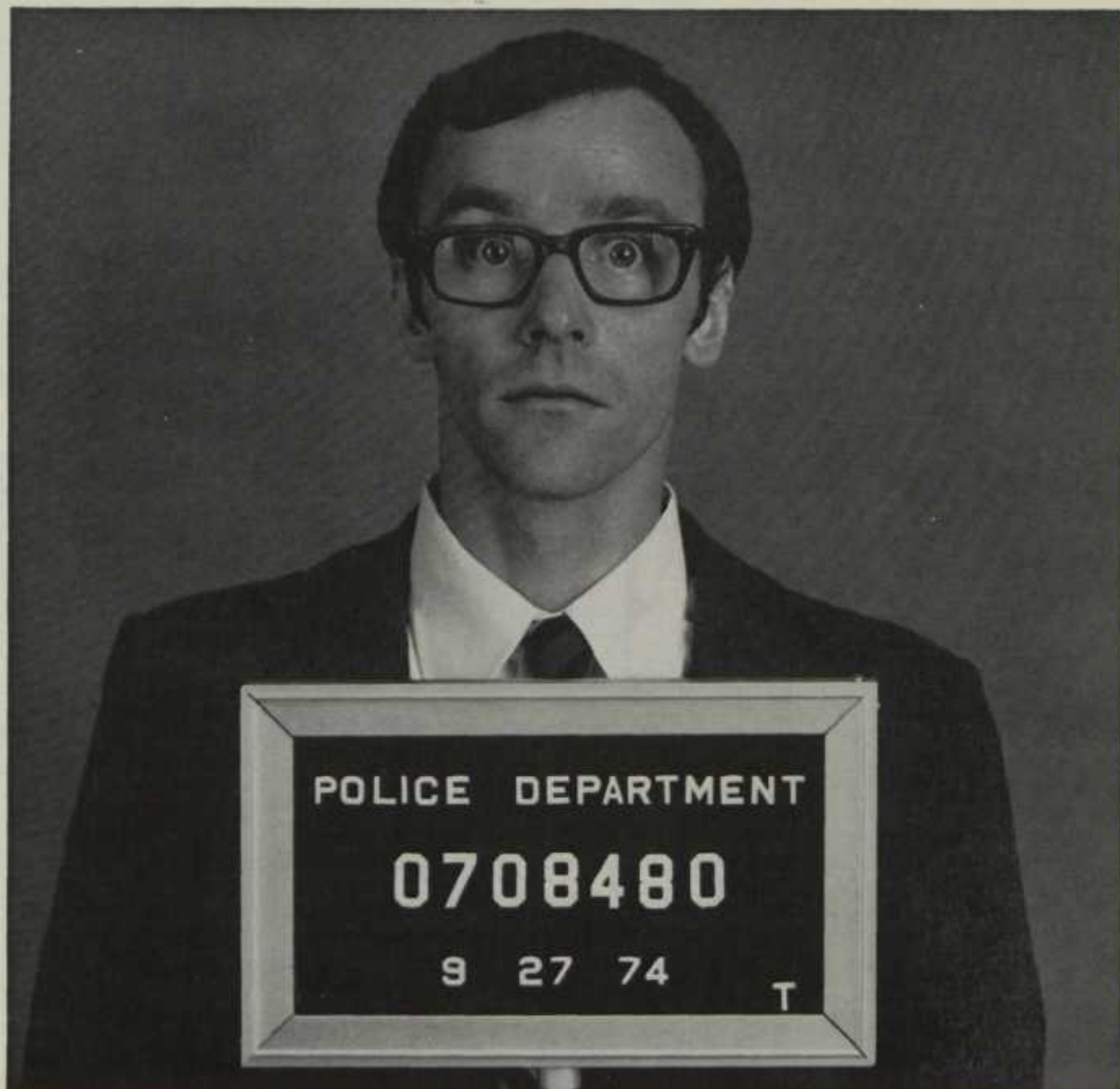
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# Nation's Business

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## A New Spirit of Optimism

A striking new business attitude is reaching across the country. Businessmen feel a spirit of optimism.

The *Nation's Business* quarterly survey of economic conditions shows this spirit (see "The Outlook Now—Sharp Rise in Optimism," page 60).

There's one thing about the *Nation's Business* survey that sets it apart from many of the others—namely, the participants have firsthand knowledge of what they are being questioned about. Day in and day out, our readers have practical—not theoretical—experience with business problems and trends. Their comments are revealing indeed as to what is happening in the minds of the managers of American business.

You'll find this report very timely and useful.

You'll also be interested in another. Turn to page 54, where you'll find "A White House View of the Economy's Future." *Nation's Business* editors interviewed L. William Seidman, assistant to the President on economic matters.

What Bill Seidman thinks about the economy is important to you as a businessman because he not only presents the President with options on national economic policy as developed within the administration, but also helps shape policy himself. Don't overlook this chance for a better understanding of White House thinking.

• • •

Productivity in business is a topic sure to be discussed more in the next few months. Productivity isn't rising as fast in America as it is in some other countries.

Yet, it is a key factor in fighting inflation and increasing earnings, both for employers and employees.

Our cover article, which starts on page 21, deals with this important subject. Perhaps the article will set you to thinking of ways to boost productivity in your own firm.

Related to this subject is another interesting article in this issue of *Nation's Business*—"The Benefits of Explaining Your Business to Employees," which starts on page 26. It sets forth a unique approach to disseminating information to those who work for you, and you'll find case reports explaining how the approach was followed at some companies and what the results were.

Wherever businessmen get together these days, there's a good deal of discussion about new forms of government regulation. A congressman, Philip M. Crane of Illinois, has introduced legislation that he feels will bring about some changes and reduce harassment of business.

The article is titled "The Pursuit of Justice in the Regulation of Business." It starts on page 29.

• • •

John Blauert is someone with strong views about "what's right with America." John is 17, is the fourth Eagle Scout in his family, and is the son of Otto Blauert, our Philadelphia district circulation manager.



The Chamber of Commerce of the United States, as you know, has invited Americans to express their feelings on the good things about their country. John is one of thousands who have done so.

As the editor of *Nation's Business*, I wanted to share with you some of the refreshing thoughts he wrote down. He said:

"America means individual freedom. In America, every one of us has the freedom to choose what we want to do, knowing that this choice could result in failure instead of the success we seek.

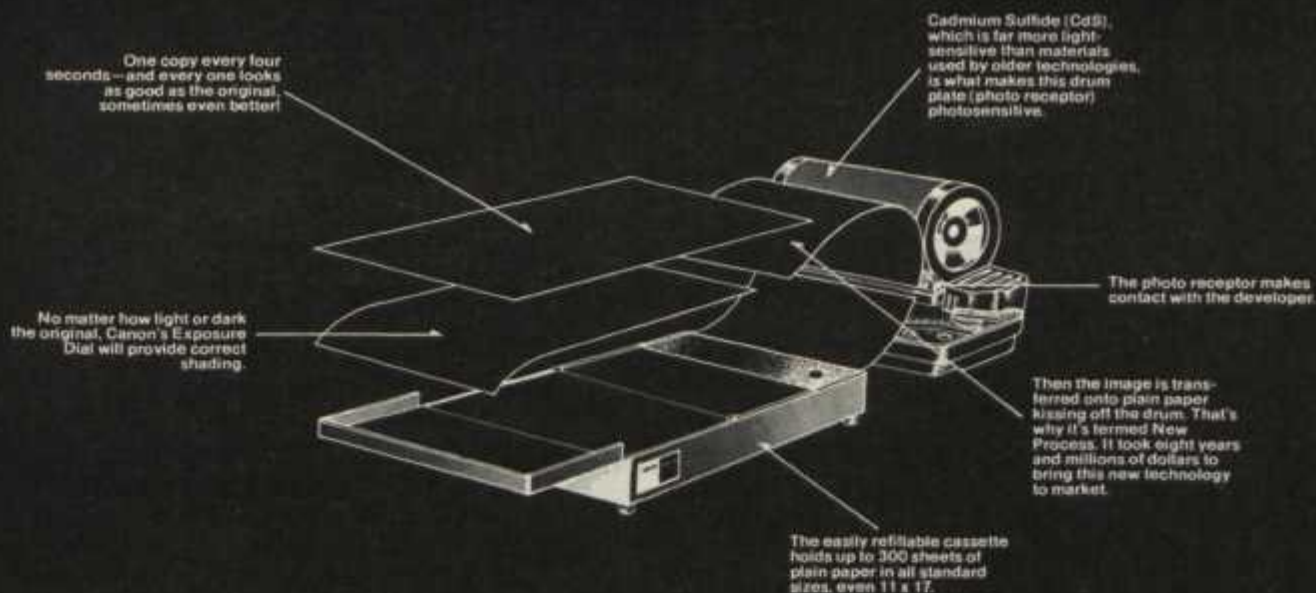
"Americans are individuals with free minds. Thankfully, we are not people to be programmed as a computer to do only what the government directs us to do. Abraham Lincoln said it—the American government is a government that is of the people, by the people, and for the people.

"I would not be able to write my thoughts on 'what's right with America' if I did not enjoy one of our many freedoms—the cherished freedom of expression."

John's letter reminds us of another thing that's right with America—young people like him.

—KENNETH W. MEDLEY





# Canon's technology produces copy quality that can't be duplicated.

Canon's new plain paper copiers, the NP-70 and NP-L7, may look like other convenience copiers on the market. But don't let appearances deceive you.

What goes on inside them is the unique NP process developed by Canon, described in detail above.

And what results is image quality you've never seen before from plain paper copiers.

Take something as simple as a dot. You'll recognize the one on the left as the usual way plain paper copiers reproduce solid black areas—a weak grey silhouette. On the right, the Canon copy of a solid black dot: a solid black dot, crisply outlined.

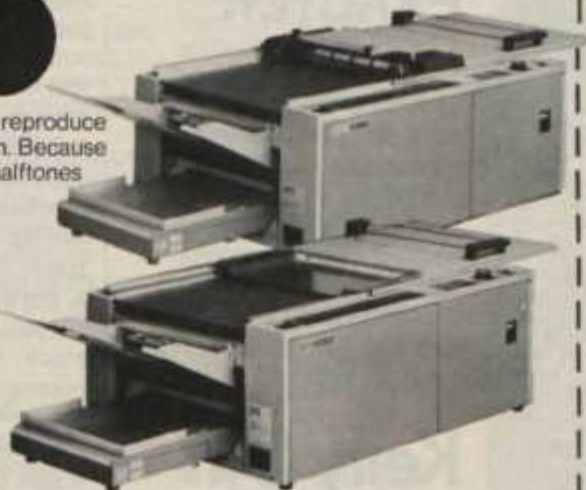


Even better, Canon copiers reproduce photographs to near perfection. Because they capture the full range of halftones with the absolute minimum of graininess and washing out.

So you can copy maps, charts, illustrations, anything finely detailed, and get results as good as the originals—sometimes even better. In fact, Canon copies are so clean and clear they actually look printed.



You can make Canon copies on paper in all standard sizes up to 11x17 ledger. So there's no wasted paper, no messy cutting and taping. These compact units fit anywhere they're needed with no special wiring. And warm up so quickly you can turn them off between uses.



Both the NP-70 and NP-L7 offer book mode copying at 15 copies per minute. The NP-L7 has the added convenience of sheet mode with higher rate of copies per minute—up to 30—perfect for offices that require faster copying time.

And both are simple to operate, activated at the touch of a button.

Why settle for an ordinary plain paper copier, when now you can get a Canon? Send us the coupon for more details.

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## Huge Increase in Suits for Business Liability

This year, about one million product liability claims will be filed against American companies. Total damages sought: \$50 billion.

Ten years ago, claims totaled \$500,000.

Nearly nine out of ten appliance makers have been sued at least once over product quality or safety. So have 80 percent of the makers of office furniture.

Why? Thanks largely to the Occupational Safety and Health Act and the Consumer Product Safety Act.

The two laws have touched off a spate of suits.

That's what A.T. Kearney, Inc., Chicago-based consultants, found in

a recent study of a dozen industries hardest hit by litigation. Kearney polled 280 leading firms in those fields. More than half were involved with court actions brought against them.

Among the industries are production machinery, construction and material handling equipment, glass products, boats, clothing, motor vehicles, and food and drugs.

"Banned, seized, and recalled products have become a major and widespread concern among top management," says a Kearney spokesman.

Kearney's study, "Managing in a 'Consumer' Economy," tells what top

executives are doing to keep from being sued—like paying close attention to product design, quality control, and safety programs.

### Learning More About Your Mutual Fund

You, too, can invest more wisely.

So says one expert.

Take mutual funds.

Their prospectuses are a gold mine of information, states Yale Hirsch, author of the yearly "Mutual Funds Almanac."

But most mutual fund investors never read these documents, he adds. Why?

"Because they are forbidding documents filled with highly technical jargon. The fund industry knows it and wants to make them easier to read. But Washington and the legal profession are slow to change ways."

Every prospectus, Mr. Hirsch says, will tell you things like these:

- The fund's basic investment policy in detail.

Not all growth—or income—funds are alike. Some growth funds, for example, invest in big, established firms like IBM or Xerox. Others look for new companies, here or overseas, or turnaround situations.

The prospectus spells out, too, if the fund sells short, uses leverage or tries to outguess market trends.

- Investment restrictions.

Those are no-nos for the fund's portfolio manager. Like not buying or selling real estate, commodity contracts, or puts and calls.

- Portfolio turnover.

How long the fund holds on to the stock it buys. A 100 percent rate means a complete turnover in one year's time. Does it intend to be a long-term investor or a short-term trader?

- Fund management.

The prospectus identifies directors

## VACATIONS? ILLNESS? WORK PILING UP? WE'LL SEND SOMEONE WHO FITS IN EXACTLY.

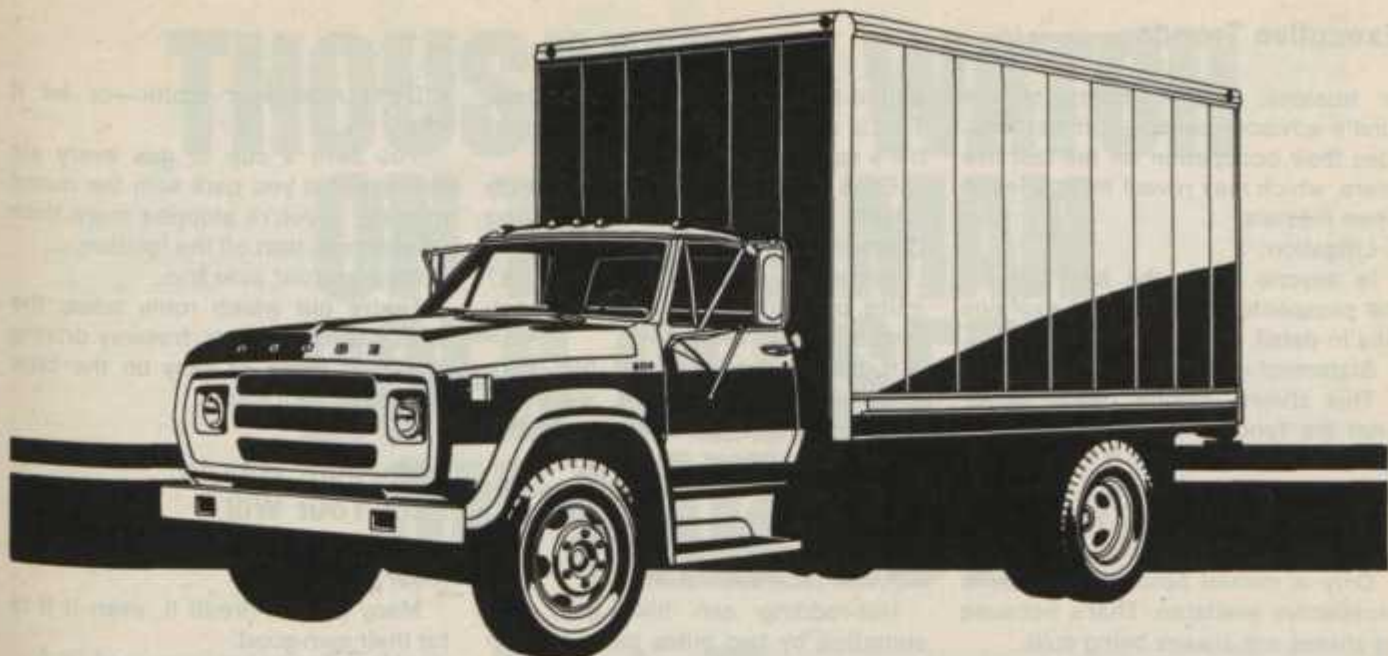
For 29 years, we've been providing Kelly Girl® temporary help—carefully screened and chosen to supply the exact skills needed. And our service is backed by a guarantee that says if you're not satisfied, you don't pay. Call us and see. It's always a good time for Kelly Girl.

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## Dodge medium-duty trucks. Built to lower the cost of doing the job.

No matter what the job, we have a truck to get it done. Pick a cab and chassis—on one of eight wheelbases from 133 inches to a whopping 221 inches—that you can rig to your precise needs. Or you can order one of our road-ready Kary Vans. Either way, our trucks help hold down operating costs with ideas like these.

**1**

**Electronic Ignition.** Cuts frequency and cost of tune-ups. Reduces recommended spark plug changes under normal driving conditions to once every 18,000 miles. And gives you quick, sure starts in almost any weather. Electronic Ignition helps keep our trucks out of the shop and on the job.

**2**

**Lowest priced automatic transmission.** Dodge trucks offer the lowest priced optional automatic transmission in the field. What's

more, automatic transmissions can save wear and repair on drive trains, so you save money when you buy 'em and when you drive 'em.

**3**

**Road-ready Kary Vans come ready to work.** You can order a Kary Van that's completely assembled and ready to roll. With a choice of six body sizes (12 feet to 22 feet) and six wheelbases (157 inches to 221 inches) that'll give you a truck as big as the job... without costly delays.

**4**

**Efficient engines.** Our 318 V8 is big enough to pull the load, but small enough to pass a lot of gas pumps. And if you need more muscle, you can choose our 361- or 413-cid engines.

**5**

**Easy service.** The hood opens almost straight up to provide easy accessibility to major engine parts. This gives you faster servicing which means

lower labor costs and less downtime. And lets your truck spend more time doing the job you want it to do.

**6**

**Tight turning diameter.** A wheel turn angle of up to 45 degrees gives our trucks excellent maneuverability. That helps you get the job done faster and maximizes productive work time.

**7**

### Fleet Purchase Allowance.

If you own as few as ten vehicles (cars, vans, or trucks), you can qualify for an allowance direct from Chrysler Motors Corporation. And the savings are bigger now than ever before. It will be well worth your time to find out about this program. For complete information on how you can qualify for our Fleet Purchase Program, see your Dodge Dealer.



  
CHRYSLER  
MOTORS CORPORATION

  
**Dodge**  
**Dodge Trucks**



or trustees, and members of the fund's advisory board—if it has one. Also their occupation for the last five years, which may reveal inexperience when it exists.

• **Litigation.**

Is anyone suing the fund? If so, the prospectus says so and explains why in detail.

• **Statement of investments.**

This shows, among other things, what the fund paid for the stocks it owns. Check to see if it has picked winners or lots of lemons.

That's much more, Mr. Hirsch says, than you may know about a stock.

Only a mutual fund always has a prospectus available. That's because its shares are always being sold.

Not so with stocks, except new issues.

## Getting There on Less Gas

Want more miles to the gallon? It's patriotic as well as thrifty.

Motorists burn about 31 percent of

all the petroleum the U.S. consumes. That's a big reason why our import bill's so hefty.

Each year, the average family auto travels 10,000 miles, the Advertising Council says.

Since the car gets less than 13.7 miles per gallon, it guzzles 700 gallons of gas per annum.

If the average car cut fuel consumption just 15 percent, we could import 28 million gallons less per day.

At today's prices, that ain't hay.

Here are some ways, the council says, that you can squeeze out more miles per gallon.

• **Avoid jackrabbit starts.**

Hot-rodding can hike gas consumption by two miles per gallon in city traffic.

• **Drive at moderate speeds.**

As speed increases, so does wind resistance. At 70 miles per hour, most autos get 21 percent less mileage than they do at 55.

• **Use air-conditioning sparingly.**

Turning it on reduces fuel economy as much as 2½ miles per gallon.

• **Don't race your motor—or let it idle.**

You burn a cup of gas every six minutes that you park with the motor running. If you're stopped more than 60 seconds, turn off the ignition.

• **Preplan your auto trip.**

Figure out which route takes the least gas. Remember, freeway driving is almost twice as easy on the tank as heavy city traffic.

## The Right Way to Plan Your Will

Drawing up a will is like having a tooth pulled.

Many people dread it, even if it is for their own good.

Take a positive attitude toward it, says Paul P. Ashley, author of "You and Your Will" (McGraw-Hill Book Co., \$10.50).

"It cares for loved ones," he adds, and, "if well-done, the will may, for many years, benefit the family, even descendants yet unborn."

Don't make it a do-it-yourself project, he advises. There are too many pitfalls for the layman. For example:

• **Who should witness your will?**

No one with an interest in the estate—it might be challenged in court. Nor anyone difficult to locate later.

One executive, who felt suddenly ill in his hotel room, had two bellhops witness his last will and testament. Four years later, he died without drawing up a new one.

His heirs were put to much trouble and expense to locate the hotel employees.

• **Where should it be kept?**

Not always in a safe-deposit box. In some states, law or custom will bar access except by a delegate appointed by the court, along with a representative of the state tax office.

If a bank is executor, however, it's a natural custodian.

• **Who must be named in the will?**

The law will probably overrule you, if you leave nothing to your wife, expert Ashley says. As for children, "some statutes provide that they must be accorded an allotted portion," he adds.

• **Who should help you plan it?**

See an expert—and not by yourself. Wherever possible, husband and wife should plan the will together.



## THIS EXECUTONE SYSTEM HAS SOMETHING NO OTHER PHONE SYSTEM HAS. US.

For nearly 40 years, we've been installing and servicing business communications systems through our nationwide network of local offices. (We're even the country's largest supplier of hospital communications systems where reliability can be a matter of life and death.)

We've brought that record of reliability to the new Executone key telephone. And we'd like to show you how owning your own telephone interconnect system can improve business communications—and save you money—without sacrificing dependability. After all, what good's a new phone system if you can't reach the company that sold it?

- ☐ Please send free portfolio, "How To Get More From Your Telephone Interconnect System."  
☐ Have your representative phone.

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 29-10 Thomson Ave., Long Island City, NY 11101



# THOUSANDS WATCH ON TV AS MAN GOES BERSERK ON CAR LOT.

(And becomes largest car dealer in the Northwest.)

"I opened my business in Seattle in June of 1969," says Dick Balch. "About three months later, the Boeing Aircraft Company began those massive layoffs. Well, business was bad all over, but mine—it was pure death!! So, we decided to do some television commercials.

"When the film crew showed up, I froze. I took one look at the cameraman, the makeup man, the script man; I thought they were gonna refilm 'Gone With The Wind'!

"After about 10 nervous and unsuccessful attempts to make a commercial, I said, 'I'm so mad, if I had a hammer, I'd bash this stupid car.' Next thing I knew, some guy tapped me on the shoulder and said, 'I've got a hammer.'

"So I stood in front of this brand-new Corvette and said, 'Hi, I'm Dick Balch. And if you want a pink-tinted windshield in this car, I can take care of it.' With that, I bashed hell outta that windshield. We made six or seven more like that, 10 seconds each, and we ran 'em, and WHAM!

"It was instant! The last month in business before the commercials, we lost \$17,000. The month we went on TV, my company showed a \$22,000 profit.

"There's nothing like tele-



*"I'm probably a living example of what television can do for somebody. Or, in my case, to somebody."*

vision. Where you can see, where you can hear. To me, that's the answer. My agency shot in 16 mm on Eastman film. And our production costs were nil compared to the results. And if you want a recommendation for Eastman film, for television: fantastic. That's the word for it."

## FILM SELLS.

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If you'd like to find out more about film commercials for television, send for more information today.



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Company \_\_\_\_\_

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City \_\_\_\_\_

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# Now at Ford Dealers: a great choice of trucks at buy-now prices.

There may never again be a better time to buy a new truck than right now at your Ford Dealer's. Here's why:

#### Today's low prices

- Experience tells you that next year's prices probably will be higher for most things, including trucks. If you put off buying now, you're pretty sure to have to pay more later.
- The sales year is coming to a close and Ford Dealers are anxious to reduce stocks. They're giving great deals and high trade-ins. Your present truck may never again be worth as much.
- Today's interest rates are the lowest in some time. So you can save on financing, too.

#### A great choice

- Ford is by far the most popular Medium/Heavy (16,000-26,000 lbs. GVW) with truck buyers. They know that Ford offers top value for your money.
- Only Ford gives you three truck types to fit your job (see below). Chances are your Ford Dealer has what you want right in stock right now.
- America's best-selling Medium/Heavy truck V-8's are now better than ever. Three Xtra-Duty V-8's have been toughened up in a dozen ways for extra durability and economy. If you want Diesel power, there's a wide choice of popular mid-range Diesels.

Don't miss this opportunity.

Check the choice—and the prices—at your Ford Dealer's.



#### CHOOSE FROM THE NO. 1 SELLERS

Here they are, America's favorite Medium/Heavies. Above: LN short conventional, a premium truck except in price. Top right: C-Series, the most popular tilt. Right: F-Series conventional, the best-selling Ford.

**FORD MEANS VALUE...  
FORD DEALERS MEAN BUSINESS**

# FORD

FORD DIVISION





# Why Students Are Hostile to Free Enterprise

**B**ack in October of 1973, David Packard made a speech that got him in a peck of trouble. The former Deputy Secretary of Defense made bold to say, in a talk to the Committee for Corporate Support of American Universities, that the business community ought to get more selective in its contributions to higher education.

Mr. Packard was addressing himself to a bizarre custom. This is the custom of many corporations, whose future depends upon the preservation of a free enterprise system, to give large sums of money to institutions whose faculties regard free enterprise with contempt. Such mindless giving, he said, makes no sense. It is folly for business to support scholars who are hostile to business. Corporation executives, said Mr. Packard, should try to make certain that their educational endowments, in some defensible way, "will benefit our corporation."

For these common-sense remarks, Mr. Packard encountered instant denunciation as an anti-intellectual and an enemy of academic freedom. His speech "smacked of attempted bribery." After I wrote a column in praise of Mr. Packard's speech, the president of a large eastern university wrote me a letter, pointedly marked "not for publication," in which he said that the gentleman "doesn't know what higher education is all about."

It may be so, but a study by Dr. George Gallup has just come to hand—a study that indicates that the intuition of Mr. Packard is more credible than the assertion of the college president. If America's business leaders ignore Dr. Gallup's findings, and fail to take positive action toward combatting the situation he discloses, we will have to find different business

leaders. Our colleges and universities, with a few conspicuous exceptions, are now little brooder houses hatching students who are ignorant of industrial life and generally hostile to the incentive system.

Dr. Gallup's study was commissioned by one of the conspicuous exceptions—Oklahoma Christian College, in Oklahoma City. This small institution, numbering fewer than 1,200 students, is by deliberate design a conservative institution. Without apology, it undertakes to inculcate certain old-fashioned values. In this aim it succeeds.

**T**wo years ago, Oklahoma Christian College got curious about the philosophical orientation of college students generally. How liberal or conservative were these young men and women? And how did they get that way? The college raised some money, got in touch with Dr. Gallup, and the dean of American pollsters worked up a survey based upon a random sample of 904 students in 57 colleges and universities across the nation.

The students who took part in the poll included freshmen, sophomores, juniors, and seniors in both large universities and small colleges. In Dr. Gallup's view, the statistical findings, subject to the usual margins of error, are fairly reflective of student opinions and experiences across the nation. In a rare expression of personal opinion, Dr. Gallup remarked that the study proved to be "one of the most interesting survey projects that we have carried out."

The typical college student, the survey discovered, moves sharply to the left during his four years in higher education. Thirty percent of the freshmen identified themselves as "left of center" or "far left," and 24

percent as "right of center" or "far right." Among seniors, 53 percent put themselves to the left, 20 percent to the right.

This liberalism found a corollary relationship with such current issues as abortion, the death sentence, and sexual relations before marriage. Politically, the college sample showed this alignment: Republican, 15 percent; Democratic, 32; independent, 50. Some 72 percent of the students had registered to vote; 62 percent had in fact voted in some election.

**O**ne series of questions asked the students to rate the honesty and ethical standards of people in various fields. These were the ratings:

People in	Very High	High
Medicine	13	50
College teaching	12	57
Engineering	9	49
Psychiatry	9	42
Law	7	31
Journalism	6	44
Labor unions	3	16
Building contracting	2	17
Business	1	18
Public office	1	7
Advertising	0	6

Another series of questions sought ratings for well-known individuals. Ralph Nader swept the field. The students were asked about their attitudes toward various institutions. The United Nations received the most highly favorable marks, followed in order by Congress, the FBI, trade unions, the ROTC, the Democratic Party, the Chamber of Commerce of the United States, the Pentagon, the Republican Party, and the CIA.

A dozen questions dealt specifically with student attitudes and impressions concerning the business world. Did the students believe the govern-



## Why Students Are Hostile to Free Enterprise *continued*

ment should place stricter controls on business? Fifty-eight percent of the freshmen and 65 percent of the seniors said yes. What about stricter controls on labor unions? Again, 58 percent of the freshmen said yes, but only 55 percent of the seniors.

The students were reminded of the long-standing debate over the extent to which government should regulate and control business: "One side claims that government intervention impairs the workings of the free market system. The other side claims that more government intervention is necessary to protect individuals from economic abuses." The students came down 56 to 38 in favor of greater governmental intervention. By roughly the same margins, they favored a return of price and wage controls and the breakup of large companies into smaller companies.

**T**his was the next question: "Some people say that business is too much concerned with profits and not enough with public responsibility. Do you agree or disagree?" Eighty-eight percent agreed.

The students were asked for their best guess on the typical profit of a large corporation on its total business. They guessed 45 percent. What did they think would be a fair profit? They thought 25 percent would be fair. They were asked about buying an automobile or a refrigerator: What percent of the retail price was represented by the cost of labor? The median guess was 33 percent. As for federal income taxes, the median guess was that a corporation pays \$15,000 income tax on net earnings of \$100,000 and \$100,000 income tax on net earnings of \$1 million.

The only encouraging series of answers, if so they may be described, had to do with government ownership of the automobile, banking, and telephone industries. By solid majorities, the students opposed such nationalization. But a 49-48 majority favored government ownership of the oil industry.

Probing into political ideology, the survey found that 41 percent of the students believed their political views had been influenced by the subjects they had studied, notably psychology, sociology, philosophy, history, and political science. Twenty-nine percent said their views had been influenced by their teachers; and of that 29 percent, 22 had been influenced toward liberalism. The teachers who had had the greatest impact were overwhelmingly liberal in number.

The Gallup study contains much more, including a remarkable analysis of student attitudes at Princeton (liberal) in contrast to student attitudes at Oklahoma Christian (conservative), but the foregoing data will suffice to make my point: American businessmen, who pride themselves on being able to sell anything, have not sold business. Perhaps they have misapplied their corporate donations, as Mr. Packard suggests. Perhaps they have failed to exercise vigilance in the elementary schools and high schools. Doubtless the entire business community suffers for the publicized abuses of a relatively few manufacturers.

**W**hatever the causes of this failure may be—and the causes cry out for sober examination—the consequences are plain. An entire generation is growing into adulthood with grossly distorted views of profit margins, corporate taxes, and corporate responsibility. These students are registering and voting in large numbers. Some of them will run for public office and be elected. The attitudes they take from college will be the attitudes they bring to public affairs.

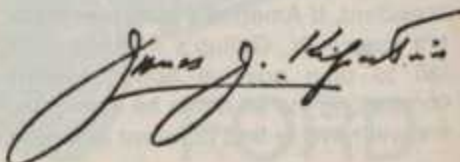
Now, granted, not much remains of what we euphemistically still call the free enterprise system. When 35 to 40 percent of the gross national product is channeled through government, another large chunk is in regulated public service corporations, and still another large chunk lies in fields

subject to effective domestic monopoly and international cartels, the free marketplace is greatly diminished. Even so, the principle is vital. The incentive system, as an economic system, remains the most productive ever devised. We must not let the concept go.

Two approaches need to be pursued. One is internal, the other external. Ovid is authority for the proposition that to be loved one must first make himself lovely. To be admired, the business world must first make itself admirable. This means a redoubled effort to restore old images of craftsmanship, reliability, integrity, and fair-dealing. Without good products and responsible service, external efforts will be discounted as merely the work of the advertising men—and the students have made it painfully clear what they think of the ad men.

**A**n effective external effort will involve far more in public relations and education than the business community has attempted in the past. I do not mean to minimize the good work done by such large outfits as the National Chamber and by such small groups as Invest in America. I know that much is being done. But the Gallup study provides forceful evidence that much more needs to be done.

The cause is not hopeless. Especially among juniors and seniors, the apparent hostility to business may be rooted more in general disillusion than in specific animus. It ought not to be impossible to persuade the students that profit rates are closer to five percent than to 45, and that tax rates are closer to 45 than to ten. From that point, education could go forward. Plainly, the process has a long way to go.





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## End Double Taxation of Dividends?

**"W**e cannot eat up our seed corn." That is a warning President Ford has sounded to Congress. He meant that, if business is to expand and provide more jobs, it must be able to raise capital.

A good way to help business do so, many people argue, is to end the double taxation of dividends.

The typical larger corporation now pays 48 cents in federal income tax on each profit dollar. The stockholder is taxed on the dividend which comes from the remaining 52 cents.

"Our system of taxation," Treasury Secretary William E. Simon says, "bears more heavily on corporations than do the tax systems of almost every other major industrial nation."

When a company raises money by borrowing, it pays interest on that debt. The interest is deductible as a

business expense. But if it raises money by selling stock and pays dividends on that stock, the dividends are not deductible. Yet the dividends, like the interest, are the price it is paying for capital.

Results of the tax system, critics say, are that many corporations lean too heavily toward debt and that many individuals are discouraged from buying stock.

Secretary Simon, who calls the present system two-tiered taxation, says it "discriminates against corporate investors generally" and notes it is particularly discriminatory against those in the lower tax brackets. He says an individual in the 20 percent bracket "in effect pays 48 percent at the corporate level and then an additional 20 percent on what is left—for a total tax burden of 58.4 percent,

or nearly three times his individual rate."

One approach to reform is to make dividends deductible for the corporation. Another is to eliminate the personal income tax on dividends. Until 1936, they were exempt from the normal income tax, although subject to a surtax imposed on higher brackets. And since 1954, there has been a limited exemption. Currently, the stockholder pays no income tax on the first \$100 of dividends.

Opponents of ending the double taxation argue that it would unfairly help some Americans at the expense of others. An era of massive government spending is hardly the time to wipe out taxes which bring in billions of dollars, they say.

How about it? Should the double taxation of dividends be ended?

PLEASE USE FORM BELOW FOR REPLY

Kenneth W. Medley, Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20062

Should the double taxation of dividends be ended?

☐ Yes ☐ No

Comments:.....  
.....  
.....  
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Name and title.....

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Company.....

Street address.....

City..... State..... Zip.....



## A Forceful No to National Economic Planning

**R**eaders of *Nation's Business* respond in no uncertain terms to the May "Sound Off to the Editor" question, "Should we have national economic planning?" They come down strongly in favor of regulation by supply and demand instead of by forces outside the marketplace.

No is the answer nine times out of ten. Some of the noes are very emphatic.

To most, the idea of national economic planning, discussed by Carl Madden in the "Guest Economist



"Politicians are not qualified planners, but they would set up the ground rules for this," says L.M. Jensen, president, Jensen Insurance Agencies, Inc., Willcox, Ariz.

column" in the May issue ["Do You Want More Government Planning for Business?"] smacks too much of government control of business. [Also see "Business: A Look Ahead," this issue, page 74.]

Reflecting this point of view, John H. Phelan, a vice president of Bankers Trust International (Southwest) Corp., Houston, Texas, says: "National economic planning conjures up too many images of economies that fail to meet targets and are not vibrant. Any government agency charged with controlling an economy will tend to depress free enterprise and ultimately individual initiative, ambition, and freedom."

John W. Walker, vice president and general manager, Neely Bonded Cotton Warehouse, Inc., Waynesboro, Ga., feels that "a continuance of the trend toward big government will obviate the need for economic planning altogether, since the profit motive will be eliminated."

Other businessmen wonder if economic planning would be able to take into account all the variables of a free enterprise system.

Robert E. Smith, manager, Snelling and Snelling, Oakland, Calif., asks: "How do you plan new inventions, new techniques, new ideas? What happens to your economic planning should someone invent something which makes a planned thing obsolete? Or, will your planning stifle new ideas, new inventions, new techniques? One must be very careful about planning status quo."

"National economic planning cannot possibly take into account the needs and wants of over 200 million existing Americans, let alone their future generations," says Ronald Oberg, executive vice president, Objective Industries, Fishersville, Va.

Tony Schroeder, partner, Schroeder Insurance Agency, Union, Mo., poses the question: "How do we know the private enterprise system won't solve most of our problems? It has been so long since we really tried it in its purest form."

Says Richard C. Mohler, a vice president of Pioneer National Title Insurance Co. and manager of its northwestern division, Seattle, Wash.: "In a free enterprise system, the marketplace usually takes care of economic planning, eliminating those who plan poorly and rewarding those who plan well. It would seem that the many problems occurring these days with oversupply and undersupply are a direct result of government regulation and/or interference. We need less participation by government in business and not more. The imposition of quotas would be the final blow in the destruction of an already strained economic system."

"Business planning is best left to those who have a vital stake in being right—the businessman who puts his all on the line every time he enters the planning arena. No other system has come even close to providing the

high standard of living for so many of its citizens that the free enterprise system has," says R. Alex Morris, owner, Morris Volkswagen, Logan, Utah.

Even those who favor national economic planning qualify their answers. Gerald W. Treloar, owner of Gerald



Planning is best done by individual firms, based on their own experience and forecasting, says Reynold P. Jurgensen, president, Clinton National Bank, Clinton, Iowa.

W. Treloar, Photography, Meriden, Conn., votes for planning "as long as the planning agency is private, funded by industry. National economic planning is beneficial in that wastes can be cut down; where it becomes ludicrous is when government thinks it can do the job better."

Charles M. Spiridon, manager, Citicorp Leasing, Inc., New York, recommends the consolidation and wide dissemination of all the business data and other economic-study findings which government agencies such as the Bureau of Economic Analysis and the Bureau of Labor Statistics have already put together. But he adds: "Under no circumstances would I support quotas."

Says Earl Bradshaw, business editor of the Sun-Sentinel, Ft. Lauderdale, Fla.: "We certainly need to consider the value of national planning—along Japanese, not Russian, lines—toward more intelligent use of raw materials, energy, and manpower. This does not necessarily entail quotas per se, but cooperation for accurate input, and warnings that if the output is not heeded, no help will be forthcoming from government."





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NB-7



\*Published by the Land Mobile Advisory Committee of the Federal Communications Commission.



## How much vacation or time off does Congress get?

Whatever the members in each body decide. The House has voted to observe nine recess periods during 1975, totaling 106 days. They range from five-day recesses for Yom Kippur (Sept. 12-17) and Veterans Day (Oct. 23-28) to a 34-day end-of-summer hiatus (Aug. 1 to Sept. 3). The Senators will try to follow the House vacation schedule but have already announced they may have to shorten, or give up altogether, some of the recess periods because of the press of business.

## Is marijuana legal in some states?

It's not completely legal in any, but laws against individual use of small amounts have been relaxed in three states.

Oregon and Alaska have changed their laws to make possession of less than an ounce of marijuana a civil, rather than a criminal, offense, with a maximum penalty of a \$100 fine.

Maine has set a \$200 civil fine for possessing less than 1½ ounces.

In addition, the Alaska Supreme Court has ruled that the state constitution's guarantee of the right of privacy makes it legal for individuals to possess and use the drug in their own homes.

Possession with intent to sell remains a crime for which violators can be jailed in the three states.

Bills to decriminalize possession of small amounts are pending in more than a dozen other states.

## Do air traffic controllers ride free on commercial airliners?

Yes. The Civil Aeronautics Board authorizes the airlines to permit up to eight such flights annually. The theory is that the free trips, in which the controllers ride in the cockpit, give them a chance to learn firsthand the work of men they control from the ground. The flights were suspended briefly last fall, however, when the airlines contended there were some abuses—such as using the privilege for getting free vacation transportation. After vigorous objec-

tion from the controllers' union, the free rides were restored.

## Is it true that President Franklin D. Roosevelt, even though he was an ardent supporter of organized labor, took a strong stand against strikes by government employees?

It was FDR who once said: "A strike of public employees manifests nothing less than an intent on their part to obstruct the operation of government until their demands are satisfied. Such action, looking toward the paralysis of government by those who have sworn to support it, is unthinkable and intolerable."

## How many countries belong to the so-called nuclear weapons club?

Now that India has exploded an atomic device, membership is officially up to six. The others: the United States, Soviet Russia, Britain, China, and France.

But more than 50 countries have nuclear reactors, and some 35 of them possess "weapons-quantities" of plutonium, a prime ingredient of an atom bomb. And more than half of these countries which one day could have the capacity to build an atom bomb have refused to ratify a treaty on nonproliferation of nuclear weapons.

## Is Congress going to redesignate Nov. 11 as Veterans Day?

There is a bill in Congress to that effect. The federal government has designated Veterans Day as the fourth Monday of October since 1971, under a law changing several national holidays so they would fall on a Monday—thereby providing a series of three-day holidays.

Supporters of a Nov. 11 observance have waged a steady campaign to restore the old date for the holiday—which originally was Armistice Day, commemorating the end of fighting in World War I, but was broadened to honor the veterans of all our nation's wars. Forty-three states have returned their own official observances to the November date. Two states never gave it up.

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<b>TOTAL</b>	

1. <input type="checkbox"/> Individual Account— mail bill to residence		<input type="checkbox"/> Individual Account— mail bill to office		<input type="checkbox"/> Check here for information on company cards for employees for as little as \$7.50 each per year	
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Home Address		Street	Apt.	City	State ZIP Code
Years at Present Address	Own Home Rent	Telephone (include area code)		Number of Dependent Children	Social Security Number
Previous Home Address		Street	City	State	ZIP Code Years there
3. Firm Name or Employer		Nature of Business		Position	
Address		Street	City	State	ZIP Code
Telephone (Include Area Code)	Years with firm	Annual Earnings		NOTE: If less than \$10,000, indicate amt. and source of other income, and name and address of banker, broker or att'y who can confirm this.	
Amount and Source of other income		Banker, Broker Firm		City	State ZIP Code
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# PRODUCTIVITY— How to Beat Inflation and Boost Earnings

Will the United States, home of the assembly line and the computer, fall behind other nations in output per worker? It could happen, but it doesn't have to

**U**NDER PRODDING by the United States, both with words and foreign aid dollars, Japan's government in the mid-1950's established a national productivity center to help boost output of goods and services.

The pupil has done better than the teacher.

From 1970 through 1974, productivity in Japan increased 43 percent. In the United States, it rose only 8.4 percent during that five-year period. As a matter of fact, 1974 showed the first U.S. productivity decline in 27 years.

With a national budget of \$65 billion, the Japanese government is spending \$13 million on productivity improvement. But the United States, with a federal budget of \$313 billion, is laying out a mere \$2 million to finance the National Commission on Productivity and Work Quality.

## Who's to blame?

Not only Japan, but leading nations of Western Europe have outstripped the United States in productivity growth. In recent years, the United States has fallen to ninth place among the dozen leading industrial countries in the rate of productivity increase.

Perhaps part of the problem lies in

the fact that the other industrialized countries do more to encourage private investment in plants and equipment than we do. While the United States puts 16 percent of its gross national product into capital investment, Germany, France, and Japan invest 26, 28, and 36 percent respectively.

And, it could be, as management consultant John A. Patton says, that "both as individuals and as business managements, we have become fat, spoiled, and lazy."

Labor unions have come in for a share of the blame. Overburdensome government has also been cited as a culprit.

Sen. Sam Nunn (D-Ga.), chairman of the Senate Subcommittee on Oversight Procedures, has been holding hearings on productivity. He says: "Our free enterprise system has become increasingly bogged down with regulations that stifle the incentive for efficiency."

On a temporary basis, the recession has also played a role in our productivity problems. Productivity tends to drop during business downturns because employers are reluctant to let employees go. So, as total output falls, output per worker also declines. Conversely, productivity in-

creases at the bottom of a recession because of the employer's tendency to move slowly toward rehiring.

That tendency was underscored recently by a U.S. Bureau of Labor Statistics report that productivity rose 3.4 percent in this country in the first three months of 1975.

U.S. productivity rose 11 percent from 1970 through 1973, and then dropped 2.6 percent in 1974, according to the bureau. Japan, with a far higher productivity gain than the U.S. in those first four years, continued to show a gain in 1974.

## Weapon against inflation

No matter who or what is to blame for our productivity shortfall, it obviously contributes considerably to our inflation.

Treasury Secretary William Simon has said: "A most important tool in beating inflation is increased productivity."

And the Republican Conference of the U.S. Senate has observed: "Increasing the productivity of American industry and labor is critical in order to raise output, combat inflation, and provide additional real purchasing power for the nation's workers."

While there's room for improve-





More and more companies are concerned with the problem of increasing productivity.

ment in the United States, the level of output per employee remains higher here than in any other country, largely because the American worker is better educated than most and because business has more capital to work with. And it should be pointed out, too, that Japan and some of the nations of Western Europe, torn by World War II, virtually started from scratch after the war and had no way to go but up.

It also should be pointed out that higher investment tax credits recently approved by Congress should afford industry more of an opportunity to replace and modernize rundown equipment.

There is plenty of need.

A fifth of all industrial equipment in this country is at least 20 years old and in need of replacement. According to another estimate, almost \$200 billion is needed to replace technologically outmoded facilities with the best equipment available. One

study shows the steel industry will have to spend \$14.3 billion; machinery makers, \$13.6 billion; and the aerospace industry, \$1.3 billion.

#### **Attacking the people problem**

Despite shortcomings, there are encouraging signs that many companies, large and small, are conscientiously attacking the people part of the productivity problem.

In 1969, the R.G. Barry Corp., a Columbus, Ohio, footwear manufacturer, organized its 300 men and women workers into teams, giving each team a great deal of responsibility and encouraging the individual worker to influence decisions affecting his area of activity.

Thanks to the teamwork approach, absenteeism and turnover at Barry was slashed in half between 1969 and 1973, total production kept pace with wages as both increased by 35 percent, the number of products sent back for reworking was cut two

thirds, downtime diminished significantly, and training costs were reduced 50 percent.

The team concept has created, according to Barry President Gordon Zacks, "conditions under which most of the people, most of the time, care enough to do what has to be done for the enterprise to succeed."

When Honeywell, Inc., of Minneapolis, decided that low productivity partly explained why net income was not keeping pace with sales, it looked around to see where it could make improvements. It found a lack of clear-cut goals, little emphasis on productivity from the top, poor organization in some areas, and inadequate training in such productivity tools as work simplification and job redesign.

Following a series of meetings, some sweeping changes were ordered. All managers were instructed to draw up plans for improving operating efficiency in their departments. Im-



proved data processing equipment was installed. Supervision was upgraded. Annual productivity goals were set and now are being constantly monitored.

### **Doubling output per person**

Since 1952, productivity per person has more than doubled at Donnelly Mirrors, Inc., in Holland, Mich., and "participative management" is given credit.

Production line employees at the company, whose principal product is automotive mirrors, now have input in a variety of management decisions. When purchase of a piece of new machinery was being considered, a machine operator flew to California along with an engineer and purchasing agent to check it out. Employees, who are nonunion, have a say in setting salaries, but if they recommend pay boosts they must also come up with ideas for cost reductions to offset the increases. Almost half the cost savings go into a bonus pool.

Time clocks have been eliminated at Donnelly and absenteeism has dipped substantially.

In 1966, Baltimore's Black & Decker Mfg. Co. turned out a 7¼-inch circular saw which took an employee about one hour to assemble. The saw was redesigned and now can be put together in 30 minutes. Black & Decker cut the price a third. Sales zoomed, and now three times as many workers have jobs assembling the saw.

"A long-term commitment starts at the top and cascades down through all the ranks of management," says James F. Barcus, manager of Black & Decker's largest plant.

"We have formal productivity programs. We do a value analysis of everything we make. We ask ourselves what we can do to improve it and to reduce the cost. That includes the entire process of manufacture."

### **The customer benefits**

Obviously, the competition has to emulate Black & Decker or lose business.

"The customer benefits," says Mr. Barcus. "He gets a better product at a lower price. Also, you don't see many foreign-made power tools in the U.S.A."

Sen. Nunn and Sen. Charles H. Percy (R.-Ill.) have introduced similar bills to create a National Productivity Center, whose primary goal would be to promote productivity growth in every sector of the economy.

Both the Nunn and Percy bills call for putting the finger on all provisions of federal laws and regulations that impair productivity growth—and then abolishing them.

Sen. Nunn believes a well-conceived productivity center could accomplish for the economy generally what the Agricultural Extension Act of 1914 did for farmers. It created a network of county agents who pass on to farmers all the fruits of private and government research that have been so important in making America the undisputed world leader in production of food and fiber.

### **New breed of county agent?**

"There is a pressing need to gather, analyze, and disseminate productivity information," Sen. Nunn points out. "I'm not talking about setting up a new bureaucracy. What we need is a small federal center that will make maximum use of the talents and skills that now exist at the state and local levels."

"I would like to see an extension service of information and technical assistance backed by an active federal, state, local, and private research and development program financed by federal and matching grants."

The existing National Commission on Productivity is a governmental body heavy on chiefs and short on Indians—it has 27 members, but only 20 professional staff employees.

Despite the meager staff and a relatively low budget, the five-year-old commission has had successes. Says Acting Executive Director George H. Kuper:

"It is our job to find the barriers to productivity. It is the job of business or labor or local government to do the breaking through."

When Robert Young of the old New York Central Railroad used to complain that a hog could travel from coast to coast without changing trains in Chicago, but a human passenger couldn't, he might have said the same about a head of lettuce.

The commission found that it was taking railroads from nine to 11 days to ship lettuce from California and Arizona to the East, though two decades ago they guaranteed delivery in six days. It was not unusual to find cars loaded with lettuce hung up in Chicago for two or three days.

### **A car clearinghouse**

"As simple as it seems, the railroads had never sent a head of lettuce from coast to coast without stopping," says Mr. Kuper. "We finally convinced a group of railroads that the old idea of returning a freight car to the road that owned it cut into productivity and cost an awful lot of money. Under the system we suggested, the railroads now maintain a central clearinghouse on freight cars."

Thus, if the Missouri Pacific has 20 freight cars owned by the Milwaukee Road and the Milwaukee Road has 20 of the MoPac's, they simply cancel things out without shunting these cars halfway across the country. It may be as much as a year before a car gets back to its owner.

The commission spent much time studying the productivity record of the nation's railroads.

It found some discouraging statistics. The average freight car carries only 15 to 20 loads per year. While some truck trailers average as much as 300 to 400 miles per day over their life, the average rail car travels only 58 miles a day. It is actually moving under load only seven percent of the time. The other 93 percent of its life is spent being loaded or unloaded, standing in classification yards, standing idle during periods of slack demand, or moving empty. Forty percent of the miles it covers are traveled without freight.

### **A \$7.5 billion bonus**

In a 330-page report to the commission, a task force on railroad productivity concluded that the roads could boost car use 20 percent—which would have the same effect as adding 300,000 cars to the national fleet. Those cars would cost \$7.5 billion.

The commission has also focused considerable attention on productivity in the food industry. While it



found performance generally good, it said multitudinous federal, state, and local regulations—many overlapping—are stifling efforts to improve productivity and keep prices down.

More than 2,000 separate federal regulations are directed at food, many of them repeated with variations by state and local governments. Investigators found, for example, that a single change by a single state in the ingredients required to be listed on sausage labels cost one food processor an extra \$75,000 for labeling yearly. The cost, of course, was passed on to the consumer.

### Juicy tomatoes

Tomato growers and processors are influenced greatly by grades and standards, and profits usually are determined by how close they come to the mark. Since tomatoes are bought on the basis of weight, growers try to

grow more pounds per acre. In California, it is estimated, tomatoes bought by processors increased an average of ten percent by weight in the past decade—but the increase was all in water content.

About 85 percent of California-produced tomatoes are destined for plants where the first step is to remove most of the water, so the tomatoes can be processed into ketchup, tomato sauce, and similar products. A study shows that, in 1971, processors extracted 450,000 extra tons of water resulting from the farmers' need to achieve the weight necessary to meet rigid requirements. The cost was passed on to the consumer.

So, the productivity commission concluded, why not tailor grades and standards to changing need? It would save the consumer money and improve productivity.

As with the railroads, the trucking

industry, which hauls much of the nation's foodstuffs, is not operating at peak efficiency. The commission estimates that up to 40 percent of trucks on the highways today are running empty because of restrictions imposed by government regulations.

"If those empty trucks could be filled, it would result in a saving of \$250 million a year in transportation costs," a commission report asserts.

Looking into ways to improve productivity in health care, the commission again ran into roadblocks.

"The impediments are incredible," says Mr. Kuper. "We came up with the idea of paying incentive bonuses to hospital workers who were more productive. But since many hospitals are nonprofit, the Internal Revenue Service won't approve the plan."

While productivity bonuses might work in hospitals, Mr. Kuper doesn't think they would work everywhere.

For example, he explains, "A good part of productivity gains in manufacturing stem from new machines installed by management. So you would probably be paying workers for productivity gains they were not responsible for."

### Executive productivity

Various studies of productivity in this country make it clear that there is room for blame across the board. Overall, the lag is no more the fault of the man assembling a widget on the production line than that of the middle-level supervisor or even the company president.

Richard C. Garstenberg, former chairman of General Motors, has reported being astonished at how few major companies "even know what productivity is."

More and more companies are concerned, however. So are some labor unions.

I.W. Abel, president of the United Steelworkers of America and vice chairman of the productivity commission, says current efforts of the steel industry to increase production efficiency help ensure job security for workers by offsetting cost increases.

In a survey of 6,000 business executives, the American Management Associations found serious worry over the consequences of poor productiv-

## HOW TWO CITIES BOOSTED PRODUCTIVITY

Government at all levels can and should do as much as private industry to improve productivity.

Improving government productivity "means giving the taxpayers more services for their tax dollars, or giving them the same services for fewer tax dollars," says the National Commission on Productivity and Work Quality.

Here's how two American communities have approached the problem:

- The City of Orange, Calif., offered its policemen bonuses if they reduced crime. They did so, and were given pay increases averaging \$45 a month.

- The City of Flint, Mich., similarly offered pay incentives to its waste collection workers if they improved productivity so that overtime could be cut. They did so, and the 66 workers each received a \$261 bonus.

Orange City Manager Gifford Miller says the crime-reducing bo-

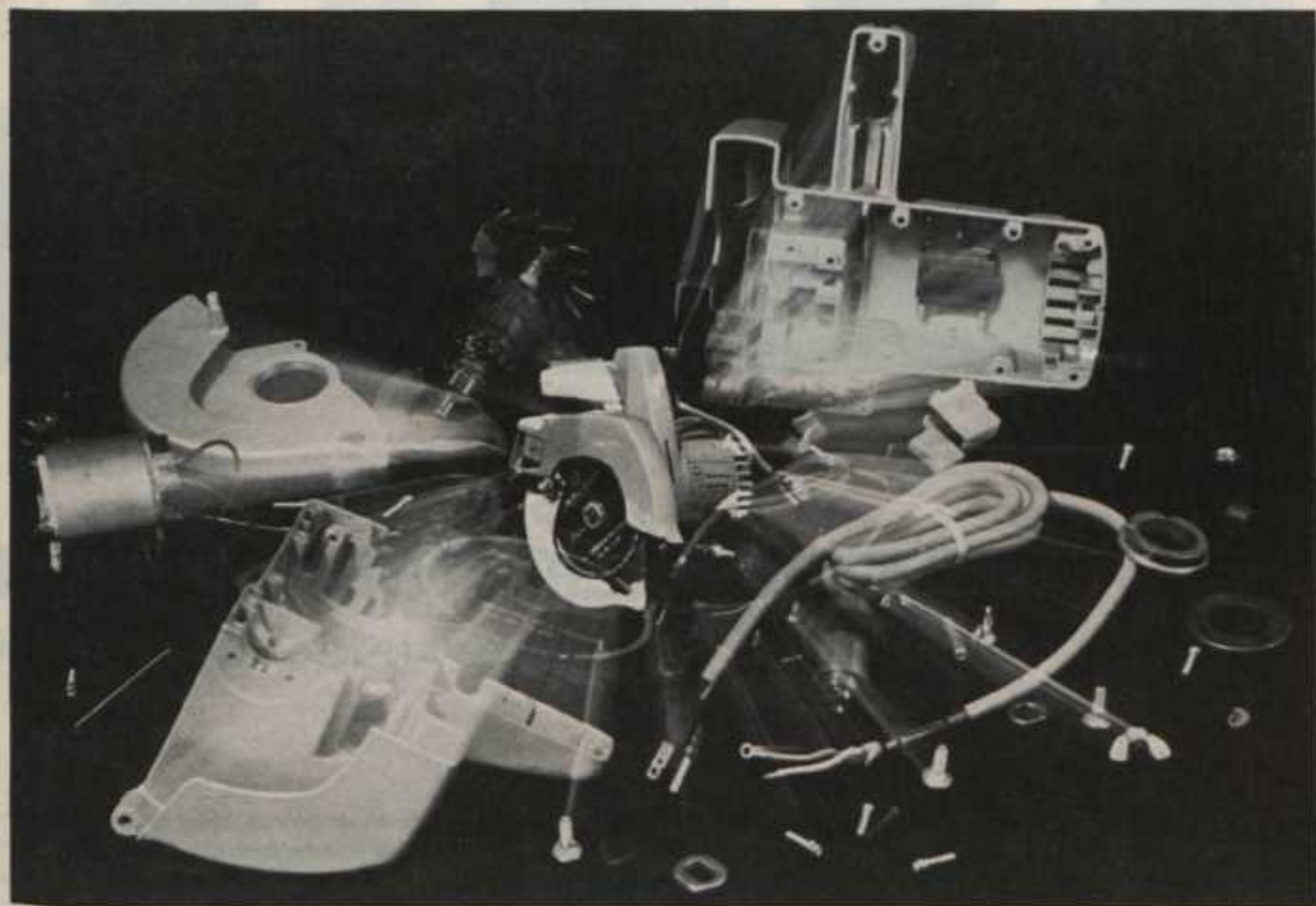
nus plan is being phased out after two years, not because it hasn't been successful, but because some policemen felt it tainted their profession with commercialism.

The pay increases, which varied according to rank, depended on a net reduction of four types of crime—rape, robbery, burglary, and auto theft. Although robberies and auto thefts in Orange rose in each of the two years, rapes and burglaries dropped. Results averaged out to a net decline. The plan has cost the city \$80,000. But the reduction in burglaries alone, based on average losses, saved property owners almost \$150,000.

In Flint, the bonus plan has saved the city more than \$34,000 because waste collection productivity has increased. The bonuses represent half of the savings.

Overtime has been cut by 44 percent, sick leave has been reduced, there have been fewer injuries, and workers have voluntarily eliminated coffee breaks.





It used to take a Black & Decker employee about an hour to assemble these components into a circular saw. The saw was redesigned and now can be put together in 30 minutes. The company cut the price a third, and sales zoomed.

ity. Surprisingly, AMA says, almost two thirds of the respondents to a questionnaire reported their companies are making no special effort to evaluate executive productivity.

How do you improve executive productivity? The survey questionnaire elicited suggestions: Accept more responsibility and delegate more authority, improve communications, broaden management training.

#### Passing the buck

One executive wrote: "Some managers are concerned only with making themselves appear productive. There is a lot of passing the buck to other departments and doing anything to make their own department look good, even at the expense of the whole company."

Ralph L. Hennebach, president of

the American Smelting and Refining Co., is one of a growing number of business executives pondering the gap between labor productivity and rising wages. Says Mr. Hennebach:

"Much of it is due to political problems, but much is also due to the general affluence of our society, the changing work ethic, the lackadaisical approach to work of the average citizen, the difficulty of maintaining discipline when employment is high and discharge is no burden, and the terrible imbalance of power between management and labor which is now further compounded by the heavy debt burdens of the companies."

Management consultant John Patton has been looking at productivity problems for 30 years and takes a somewhat different view. He says:

"Declining productivity is not entirely the fault of organized labor, even though the average stockholder does not realize that unions have more to say about day-to-day operations than management does in many companies.

"It is not entirely the fault of our patronizing, interfering government which continually keeps extending its tentacles of red tape to enmesh and throttle our free enterprise system.

"It is not entirely the fault of the shifting attitudes of our younger generation, many of whom have rejected the materialism, work ethic, and institutional loyalties of their forebears.

"The real fault lies squarely at the feet of management, for not seizing the initiative to take remedial action."

END





## THE BENEFITS OF EXPLAINING

Here are some ideas worth considering

**P**RODUCTIVITY and profit margins are lagging. Distrust between labor and management is increasing. Wages take a larger share of the corporate dollar.

Many American companies are suffering from some or all of these problems, and many American business executives are seeking solutions to them.

One man who claims to have at least a partial answer is John Q. Jennings of New York—a lawyer, economist, and management consultant who specializes in productivity and labor relations. He is a former head of the Federal Mediation and Conciliation Service in Detroit.

Mr. Jennings believes that companies should share more information with their employees than they now do.

He expounds this view in the following interview with *NATION'S BUSINESS*.

**You contend American workers do not know enough about their companies' profits or losses, dividends, and employment costs?**

They certainly do not. As a matter of fact, neither do shareholders, customers, voters, and government

officials, and this is one reason why business sometimes gets in the doghouse with Congress and the public.

The principal misunderstanding involves the distribution of corporate income among employees, employers, and stockholders after the payment of all outside company expenses.

### What are the facts?

The Survey of Current Business, which is published by the U.S. Commerce Department, shows employees in this country of all U.S. corporations got 87.4 cents in pay plus benefits for each 12.6 cents of corporate after-tax profits in 1974.

**How much of that 12.6 cents was plowed back into the business, and how much went for dividends?**

Plowed back—seven cents. Paid in dividends—5.6 cents.

Employees received 94 cents for each six cents of dividends.

However, employees, labor unions, high-ranked political figures, and the general public do not know this. And they should—for the good of business.

There is far too much corporate secrecy about company figures.

**Don't some companies give a break-**

**down on how much of their revenues goes to employees?**

Two Cleveland companies—TRW, Inc., and Lincoln Electric Co.—started doing this in 1939 and have continued it ever since. They have never hidden their employee compensation figures from employees or shareowners.

Neither company has ever experienced a strike, and both have achieved outstanding productivity records.

The Singer Co. operated worldwide for nearly a century without ever having revealed its aggregate compensation costs. Then, in 1949, the company was hit by a six-month walkout at two of its factories. Throughout the strike, union sloganers poured out a tirade of abuse, accusing Singer of shortchanging its employees for the benefit of Wall Street.

After the strike ended, Donald P. Kircher, then a vice president and now Singer's chief executive officer, authorized the gathering of total employment costs. It was quite a challenge because Singer does business in 182 countries, in which extra benefits differ widely.

When the cost figures had been





## YOUR BUSINESS TO EMPLOYEES

Whatever the size or kind of business you manage

assembled and added to wages and salaries, the total compensation figure came to 93 cents for each seven cents of dividends paid to shareowners the previous year.

**What did Singer do with these figures?**

Transmitted them in simple, graphic form to shareowners and to employees throughout the world, and kept on doing so. The company revealed, for example, that in 1974 Singer's 111,000 employees worldwide received 96 cents in pay plus benefits for each four cents of dividends paid to shareowners. Thousands of those shareholders, by the way, are also Singer employees.

**What have been the results of this program of full disclosure?**

A vastly improved labor and productivity picture at Singer.

**Has any Singer employee claimed that a major portion of the payments to all employees goes to the top brass?**

Well, yes. But, in 1965, Singer employees throughout the world were shown that all forms of remuneration received by directors and other offi-

cials listed on the proxy statement accounted for only four tenths of one percent of the pay and benefits received by all employees. There have been no further questions from employees on this point.

**Would it be a good idea for this kind of information to reach customers and the general public, as well as employees?**

Definitely.

**How about foreign companies? Do any of them share key financial information with employees?**

Some. The pro-company and pro-private enterprise attitude of employees of Britain's Guest, Keen & Nettlefolds, who voted overwhelmingly against nationalization in polls, is due largely to that company's sharing of information. [See "What Workers Think When Government Grabs the Company," *NATION'S BUSINESS*, May, 1975.] GKN reported to employees and shareowners that in 1973, employees received the equivalent of 89 cents for each 11 cents of net profit.

And in West Germany, under that nation's codetermination law, employees are on company boards in

the coal, iron, and steel industries and receive very complete information about company finances.

**Has this helped West German productivity?**

Yes, and it has also helped minimize pay demands and strikes. About the time U.S. coal miners were striking for and getting a three-year, 64 percent pay-benefits increase, German metalworkers were peacefully settling for one-year gains totaling only 6.8 percent.

American union leaders don't want codetermination, but they certainly have no objection to U.S. firms giving their employees financial information. If rank-and-file union members possessed such information, they would be more amenable to accepting a reasonable contract proposal when urged by responsible union officials to do so.

**Would you say that unions do a good job in reaching their people with information?**

Usually. However, unions cannot transmit company figures unless the company reveals the figures. And if the company is willing to reveal the figures, it need not, and should not,



## Explaining Your Business to Employees *continued*

depend on the union to be the transmitter of the information. This should be done by the company. And the figures should go not only to unionized employees, but also to nonunion employees, shareowners, customers, and the general public.

### Do employees trust company figures?

Not at first, sometimes—especially after a long spell of no company information at all. But, after the initial skepticism passes, employee belief in the credibility of company figures increases with each year. Especially so if the figures are transmitted as a matter of course, rather than just at a time of crisis, such as a threatened or actual strike.

**With so many companies having public relations staffs or PR consultants, why is so little information disseminated on the ratio between employee compensation and profits?**

The most skillful public relations executive can't make a company's aggregate compensation figure seem fair, when compared with profits, unless he has the figures. A PR man without facts is like a rifleman without ammunition or a trumpeter without a tune.

If a company is suffering from a credibility gap between management and any of its various publics, chances are the trouble is in the board room rather than in the public relations department.

### How should companies convey financial information to employees?

The best and cheapest way is by mailings to employees' homes, where members of the family can also read the material. Send an annual report which is especially prepared for employees and include a note welcoming employee requests for copies of the shareowners' report.

Or, prepare a simple, graphic summary report that any employee can understand. And send it not only to employees, but also to shareowners, most of whom can't fathom most shareowner reports.

Also, supplement the annual report with follow-up material throughout the year in the company's employee publication. And when the



information is crucial, send a letter from the company president to the employee's home. Finally, check up on whether you are getting through to employees.

Even a company that thinks it is doing a good job of telling its story to its employees may be in for some surprises if it doesn't have such a program.

### Surprises?

The Illinois Central Gulf Railroad had won cups and awards galore for the excellence of its employee communications. Nevertheless, the company's president, Alan Boyd, decided a few years ago that the time had come for a checkup on the health of the company's relations with its employees.

He mailed letters to each employee at home, asking opinions concerning a list of financial questions about the company and the railroad industry. When replies had been tabulated, Mr. Boyd was amazed at the misinformation that existed, not only among rank-and-file union members, but also among people at the middle and top levels of management.

### What were some of the findings?

Managers and other administrative employees thought a fair return on investment would be 11.7 percent, whereas nonsupervisory employees, mostly union members, thought 13 percent would be fair.

The managerial employees thought that Class I railroads such as theirs had a return of five percent the previous year and that Illinois Central Gulf's return had been 5.1 percent. The nonsupervisory employees be-

lieved the Class I return had been eight percent and their railroad's had been nine percent.

Mr. Boyd informed everybody that the return on all Class I railroads had been only 1.5 percent and that Illinois Central Gulf's had been a little better—2.6 percent.

### Were there questions concerning income distribution?

Yes. The managerial people thought a fair two-way split of company income would be 59 cents out of every dollar for employees and 41 cents for net profit, while the non-supervisory employees thought the split should be 61-39. On what had actually happened the previous year, the managers thought the split had been 68 cents for employees and 32 cents for net profit, while the nonsupervisory workers thought the split had been 65-35.

The facts, which Mr. Boyd mailed to employees' homes, were that Illinois Central Gulf employees had received 88.8 cents in pay and benefits the previous year for each 11.2 cents of net profit earned by the company.

Two presidents of railroad unions wrote to Mr. Boyd, congratulating him on having leveled with his employees and, incidentally, also with union officials, who had been advised by the company in advance of each step in the procedure.

### Do such things help fight stagflation and if so, how?

We hear occasionally about unions cutting pay demands or even accepting pay cuts when they are convinced that a company is genuinely in financial trouble. If all Americans knew corporate employees are getting 87.4 percent of the two-way split with net profit, many workers would recognize that productivity increases must keep up with pay increases if prices are to be stabilized. The productivity situation is one reason why consumer prices have been rising so high. In 1974, when pay and benefits were skyrocketing, man-hour productivity was falling.

This situation is unlikely to improve significantly until opinions concerning corporate income distribution are brought into line with the facts. END



# The Pursuit of Justice in the Regulation of Business

BY REP. PHILIP M. CRANE (R.-ILL.)

This proposal in Congress would curb coercive powers of federal agencies. Here is a view from Capitol Hill

**T**HE SUCCESS of the American free enterprise system has traditionally depended on a maximum of individual initiative and a minimum of governmental interference.

But the expansion of the federal regulatory agencies, both in terms of numbers and enforcement powers, flies in the face of that tradition.

It is not surprising that businessmen view a number of these agencies as all-in-one combinations of prosecutor, judge, and jury. The Occupational Safety and Health Administration, for example, is empowered to issue cease and desist orders that have all the force of law.

Other agencies haul businessmen into court if the businesses do not comply with directives issued in agency proceedings. For example, 1972 legislation gave the Equal Employment Opportunity Commission the right to take court action against private employers without going through the federal government's legal arm, the Justice Department.

## Innocence is not enough

The inherent danger in such a system is the extent to which coercion and intimidation, rather than justice

and due process, are employed in bringing about compliance with directives.

In too many cases, businessmen cited by a federal agency for some alleged violation are sure they are innocent, but prefer to give in rather than shoulder the heavier cost of contesting the agency in court.

Still others head off the possibility of citations and heavy legal costs by taking action which even the agency would find unnecessary.

Because of the present inequities, I have introduced legislation to put the businessman on a more equal footing and to ensure that a regulatory agency's findings are based on the merits of a given case, not on governmental coercion.

Basically, the bill would provide compensation for defendants where the U.S. government has filed a civil suit and lost the case. A businessman found innocent of charges brought by a regulatory agency would be reimbursed by the government for reasonable legal fees he incurred in fighting the case.

Enactment of the bill would have these results:

- Businessmen confident of vindication would be able to challenge regulatory agency findings without fear of incurring substantial legal expenses just to prove that they are right.

- Regulatory agencies would be discouraged from forcing conformity with their directives by harassing businessmen who don't have the financial resources to fight back.

- The amount of compensation paid successful defendants would serve as a guide to the public on whether the agencies were doing an effective job or being overzealous.

- The injustice of a businessman having to pay for his defense while his tax dollars are being used to help prosecute the case against him would be eliminated.

## A threat to all

The existing situation is a potential problem for businesses of all sizes.

Many smaller businesses simply cannot afford to hire a high-priced attorney to represent them in court. And they fear that even if they did win a court test, they would not only be out the legal fees but would be the target of repeated retaliatory in-





Rep. Crane: "There is a compelling need to restore a proper balance between business and government."

vestigations in the future. Their ability to pay legal fees would eventually run out.

So they don't make waves. They prefer instead to comply as best they can with demands. Demands, for example, that they buy new equipment without regard to whether it is justified on a cost-benefit basis.

Unfortunately, some businessmen have found that the compliance route does not work. They have been forced to go out of business after a lifetime of work that has provided employment not only for themselves, but for many others.

Many larger companies have resorted to hiring high-priced consultants—at \$10,000 to \$100,000 each—to advise them of their potential liability under regulatory standards. Some have invested thousands or even millions of dollars in what could be termed industrial preventive medicine in hopes of heading off

trouble. Still others have adopted policies, such as reverse discrimination in meeting guidelines for minority hiring, that might avoid problems in one area but erode the morale of their other employees or the enthusiasm of their customers.

#### **The consumer pays**

None of these actions helps achieve the increased productivity needed if the economy is to rebound and open up more employment opportunities for all. On the contrary, increased costs that business incurs in meeting regulatory directives are passed on to the very consumers that so many of the regulatory agencies are supposed to protect.

At stake here, ultimately, is the future of the free enterprise system. If the regulatory agencies, with all their resources, are allowed to abuse their power, the system is in danger. Thus, it is up to Congress, which created these agencies in the first place, to see that they do not get out of hand.

I am encouraged by President Ford's call for regulatory agency reform and by the fact that a number of members of Congress have introduced bills dealing with these agencies and some of their weaknesses.

Also, I am heartened by the fact that more and more Americans are beginning to realize that regulatory agencies are, in part, responsible for the delays in construction of nuclear power plants, the increased costs of automobiles, the shortages of natural gas, the delays in developing new sources of oil, and the plight of our nation's railroads—to mention just a few examples.

As a consequence, Americans are beginning to question whether government regulation is costing more than it is worth.

#### **Quotas, not merit**

Let us look at what might result from one form of regulation—by the Equal Employment Opportunity Commission.

As noted above, EEOC can bring suit against a company that it claims engages in discrimination in hiring and promotion. To avoid a civil suit, the company must take what is

known as affirmative action to eliminate such discrimination.

EEOC talks of guidelines and goals and denies it is mandating quotas for the hiring or promotion of minority group members.

In practice, it is making quotas—not merit—the basis for hiring and promotion until certain ratios are reached.

What would happen if a top professional basketball team were ordered to take affirmative action to make sure its racial composition reflected that of all basketball players in the surrounding area?

The quality of the team's performance would decline, some outstanding players would never get a chance to make the squad, and fans would stay away in droves.

Fortunately, affirmative action has not yet reached pro basketball. We can still appreciate the skills of Chet Walker, Bob Love, Walt Frazier, Earl Monroe, Kareem Abdul Jabbar, and many others who have earned the right to play through their own abilities and not through some artificial mechanism.

I hope affirmative action never does reach pro basketball.

But if it does, I would like to see every owner of a professional basketball team able to challenge the government in court with the assurance that a legal victory could be achieved without a financial loss.

Compensation for winning defendants in civil suits brought by the regulatory agencies would provide that assurance.

#### **Digging their own graves**

Under the present arrangement, many businessmen must feel they are being made to dig their own graves when they see arrayed against them the tremendous resources of a federal government they are paying substantial taxes to support.

There is a compelling need to restore a proper balance between business and government—a balance that gives each side an opportunity to present its case for a decision on the merits.

The legislation I am proposing would be a major step toward what is, after all, simple American justice as we have come to know it. **END**



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## Hedging Against Foreign Seizures of Your Property

Many American businessmen aren't facing up to the facts about nationalization of U.S. investments abroad, this expert says

BY CHANDLER G. KETCHUM

**C**hief executives of American firms doing business abroad must make many decisions like those they make at home.

There must be studies of labor costs, raw material supplies, shipping costs, taxes, and domestic and foreign markets—all matters that competent management should be able to evaluate.

But another factor must be mixed into the decision-making process abroad. Host governments' changing attitudes on previously accepted property rights and the enforceability of contractual agreements are an ever-growing challenge to international management.

Foreign corporations and investors are being discouraged, punished, or simply pushed out by the nationalistic actions of an increasing list of countries.

Consider what happened in Castro's Cuba, where all American investments were seized without a cent of reparation. Or the recent nationalization of many foreign investments by Portugal, Zaire, and Ethiopia.

### Are you kidding yourself?

Generally, American corporate response to the nationalist threat has been to rationalize: "Our particular business is low-profile," "the stockholders will never notice," "the IRS will pay 48 percent," or "we have long and close relationships with the ruling group."

If you have been giving yourself one or more of these assurances,

quit kidding yourself. Do you apply similar escapism to the threat of lawsuit, major damage, or loss of markets? In years of possible low profit, do you rely on tax write-offs of major losses?

Does any company completely self-insure its risk of fire, windstorm, or similar catastrophe? If properties are properly engineered and dispersed, there is rarely a 100 percent loss. Nonetheless, it is corporate policy to insure against these hazards of nature. So what about political hazards?

In a similar vein, once a contract is signed to manufacture and install

machinery or an entire turnkey facility, normal practice is to insure possible damage to work in process, in transit, and during installation. But what happens if the U.S. government embargoes shipment, the foreign country revokes import permits, the foreign client repudiates at its government's behest, or the foreign government revokes the contract or blocks payments? Who pays your out-of-pocket loss and when?

Consider the contractor who bids competitively for an overseas job and anticipates repatriation of his equipment for use elsewhere. Upon completion of the job, he finds that somehow he cannot obtain all the needed export authorizations to move his equipment elsewhere and that a friend of the government is offering him ten per cent of the value. Should he only bid for a job where he can charge off the entire cost of the equipment on that job?

### Broadening targets

These are not figments of paranoia. Numerous cases can be cited where each of these situations has occurred. What is of more concern is the increase of such occurrences in recent years. And they are not happening only to major oil, bauxite, and iron ore companies. Governments are less selective about what they decide to seize.

One should not presume that there will be no indemnification. The record varies greatly from Cuba to Canada and elsewhere. The indemnity



Mr. Ketchum is president of American Investment Guaranty Corp., Pittsburgh, which insures U.S. firms against property takeovers abroad.



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may vary as to basis of valuation, method of payment, and schedule of payment. A company's chief financial officer must struggle with the cash flow problem if the firm takes no anticipatory action.

A case in point is the Andean Pact [see "Rougher Going for the Yankee Trader," *Nation's Business*, June, 1974]. A number of South American nations have agreed to reduce foreign majority ownership and restrict repatriation of profits. Implementation of the pact is proceeding erratically, but it is a reality to be faced. Other countries are considering similar legislation.

### Private insurance emerges

There have been U.S. governmental guarantees or insurance to assume these risks in certain countries or specific circumstances. But the U.S. Congress is placing increasing restrictions on the activities of these useful government programs. At the same time, it should be noted that foreign countries' governments are often much more sympathetic to their

own international trading efforts. They are steadily broadening programs to encourage and protect their investors.

Fortunately for American contractors, manufacturers, exporters, importers, and investors, an innovative private insurance market has emerged to assume the catastrophic risk of various acts of nationalization when the Overseas Private Investment Corp., Export-Import Bank, or Foreign Credit Insurance Association cannot respond fully.

The cost of such insurance is sometimes greater than the cost under the government-subsidized programs, but the insurance is available in more countries and on a more flexible basis.

Chief executives and their boards must recognize the finality of an act of nationalization or contract abrogation. What corporate policies should they set in response to the possibility of such action? Sweat it out? Establish a reserve? (If so, better be up-to-date on new and more restrictive accounting practices.) Or should a

part or all of the risk be insured?

To make prudent decisions, companies should annually review their risks and measure the cost of some form of insurance versus foreign nationalism's potential impact on their finances and shareholder confidence.

Even in our own country, voices are being raised in complaint about foreign control of land, finance, or manufacturing facilities. Can you imagine how it might be in other lands where the proportion of American involvement is much greater?

### An effect on prices

So long as sovereign nations can act against foreign economic influence, whether that influence is friendly or hostile, the political risks for Yankee traders will be on the increase. Just because you own the equity, have title to the land, or have a carefully drawn contract with an independent arbitration clause, you have no assurance that such rights will be honored. You have to build into your pricing a factor to minimize your corporate risks.

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# The Social Responsibility of Management

Among the managers of business today, there is a new concern for an active role in helping to heal some of the sores of our economic system—to deal more effectively with society's needs and expectations. These are the views of one concerned leader

By STANLEY G. KARSON

**E**VEN in the most favorable of environments, it would be neither prudent nor productive to discuss corporate social responsibility without first defining this term. Grandiose to some, it is abstruse to others.

Corporate social responsibility requires certain indispensable components, what we may call the four C's: the corporation, the community, the consciousness, the commitment.

The first ingredient is most obviously the corporation, one making a profit and providing a product or service to the public—honestly, fairly, responsibly.

Then comes the community in which the corporation operates. It may be a city, a region, the nation, or the world—but it shares a variety of social, economic, and political problems affected at least in part by the corporation.

Next is the new consciousness of the managers of business in terms of the relationship between the corporation and the community. Some of this concern among these executives has been the result of the crisis confrontations of the sixties; much of it is the result of sober, sophisticated reflection on what the future holds for business in this country—unless it becomes more active in helping to heal some of the sores afflicting our system.

The final ingredient is the commitment of the corporation in recognizing its integral involvement with the society of which it is a part and moving to use its appropriate resources to deal with that society's needs and expectations.

## A matter of self-interest

Putting these four C's together, what is a working definition of corporate social responsibility? It is the commitment of the corporation, conscious of its interdependence with the community, to use its available resources in such a manner that they will impact positively on society.

We are not talking about acts of altruism. Corporate social responsibility, properly understood and exercised, is corporate self-interest.

We do not mean for business to take over the function of government any more than we want the converse to occur. Business must be accepted as one of the vital elements in the social problem-solving matrix, and business must show, by its own actions, the capacity to contribute to these solutions.

We do not expect every corporation to be involved with every type of community project. The corporation must be profitable, and it should select as primary targets for social commitments those relating to its

particular resources, expertise, or capabilities.

Critics of this concept claim that the corporation benefits society by pursuing its basic business purpose—producing a marketable product profitably—and conclude that that is sufficient unto the day. But any business leader who thinks that his or her social responsibility stops there does so at great peril to that very purpose.

## The equation's new factors

The complexity, even the immensity, of our social and economic problems has brought new and unsettling factors into the business equation. No segment of our society—certainly not one with the vital stake possessed by business—can long divorce itself from active involvement in the solutions of basic problems of that system, unless, of course, that group or institution wants to flirt with decline and disintegration.

If the corporate sector in the past could enjoy the luxury of social apathy or inaction, that day is gone. Unfortunately, some business leaders—even those who pride themselves on their sensitivity to changes in the economic climate—still do not understand the portents in the reading of the social barometer.

Let me present some examples of



"It would be shortsighted, even tragic, if contemporary economic conditions, disturbing though they may be, are used as a rationalization to end relevant and effective corporate social responsibility programs. If our system is to survive, it will be only because all of us share the pains as well as the pleasures and only because we recognize our needs and our obligations for and to each other."

—Stanley G. Karson



corporate social responsibility that are ongoing activities with which I am personally acquainted. Most of them are familiar to me because they are being pursued by life and health insurance companies, but in the main they are representative of programs of many businesses.

### Areas of responsibility

In our business, we have found it helpful to divide the world of corporate social responsibility into six parts:

1. Community projects.
2. Corporate contributions.
3. Investments.
4. Equal employment opportunity.
5. Individual involvement.
6. Environment.

For three years, through an industrywide social reporting program, companies have reported to the Clearinghouse on Corporate Social Responsibility their expenditures in money and manpower, as well as management policies in these six areas.

Community projects dealing with youth activities appear to involve most of our companies. This runs the gamut from school partnership ar-

rangements, to supporting recreation facilities, to tutoring disadvantaged students. Of greater impact on the total community are those leadership efforts of companies to advance community redevelopment projects or provide significant support, as one midwestern company did, to a public transportation bond drive.

Other kinds of community projects to which companies are providing substantial leadership and support are: civic and cultural programs, local health projects, race relations, safety programs, drug programs, crime prevention, housing, and day-care centers.

Tied in to many of these projects is the corporate contribution function. Hundreds of millions of dollars are provided each year by corporations to local and national organizations and causes. Federated drives, notably the United Fund, receive the largest proportion of these monies, but the trend has been marked in recent years toward innovative and program-related activities in the community. Health (including medical education and research), higher and secondary education, urban and minority programs, and the arts are

also focal points for corporate financial support.

Investments as a corporate social responsibility activity have two facets: the social purpose of investments and the voting of stock held in other corporations. Both apply primarily to institutional investors: banks, insurance companies, pension funds.

### Urban investment program

In 1967, the life insurance business developed its innovative urban investment program, dubbed the "\$2 Billion Program," which, when completed in 1972, saw commitments in that full amount by the individual companies for low and moderate income housing and job-creating enterprises for residents of urban centers. Investments for these purposes are still being made by individual companies, though not in the same dimensions as during the late sixties.

Equal employment opportunities, involving women and members of minority groups, are of course the subject of federal and state law and regulation, but the advancement of the goals of equal opportunity must be and is a vital element in any corporate social responsibility program. The questions being asked and answered here are: What are the company's hiring, firing, and promotion practices, not just its formal policy? What are the results?

More and more companies are adopting and effecting affirmative action programs, even those not now required to do so by virtue of federal requirements. Goals and timetables are involved, and the emphasis is being placed on opening up management positions to those habitually excluded from them in the past.

### Participation by employees

Company encouragement of employees, including officers, to become more involved in their community is another corporate social responsibility activity. More corporations are lending executives and other professionals to local community groups or governmental units to work for weeks or months, providing expertise and leadership. The incoming mayor of one of our most troubled eastern cities was helped significantly in his first few months by financial and ad-



## Responsible Action— the Way of Business Life

"The fact is that chief executives of many of our corporations have not merely accepted corporate social responsibility as an expedient element of doing business, but as a way of life."

"... Corporate social responsibility has now developed into a line function, with a formidable cadre of professional experts."

"Corporate responsibility, having come of age in the best of our businesses, now has good managers."

"... Looking around at the leaders of corporate America today, you can discern a developing dissatisfaction among them with the traditional preoccupation about profit for profit's sake."

"... We have reached the stage when business is part of the solution, not just part of the problem."

ministrative experts of a major life insurance company in revamping the city's fiscal and management procedures.

Businesses are setting up voluntary action centers to match community groups' needs with employees' talents and interests. Employees are often provided with released time to work with community projects during business hours. In 1973, a total of 152 insurance companies reported more than 142,000 man-hours utilized by employees on such released time activities.

In the field of environment, companies have undertaken—some through the pressure of government action—to reduce pollution and generally further ecological objectives. From structural renovations in factories, plants, and offices, to the recycling of paper and other supplies, businesses recognize that environment is another important area of corporate social responsibility.

Many life insurance companies, as other investors, also have accepted their obligation to implement new policies dealing with the effects of their investments on the environment. Although only about one third

of our companies have yet moved in this direction, some of the major ones have done so.

It should be clear that, as we have described its practices and ramifications, corporate social responsibility is not the orphan in the economic storm. The fact is that the chief executives of many of our corporations have not merely accepted corporate social responsibility as an expedient element of doing business, but as a way of life.

### Evolution of responsibility

Recognizing the realities of our changing society, as they long ago learned to adjust to economic conditions, these business leaders have overseen the evolution of corporate social responsibility within their businesses. Once considered a fad or fringe activity to placate this group or that conscience, staffed by throw-away officers and staff, corporate social responsibility has now developed into a line function with a formidable cadre of professional experts. The aware, alert chief executive has learned that this field is too sensitive, too critical to have second-rate staffs running second-rate programs.

Those corporations that have accepted the various premises outlined here, especially those businesses that have institutionalized the social responsibility function, are not now backtracking in this area. If the bottom line should show a declining profit, reductions may be made here, but so will they be felt in other functions.

### No cutbacks

There is no disposition to single out corporate social responsibility either as the activity to be curtailed first or the one to bear the brunt of necessary economies—not among some leading American corporations with which I have discussed this situation in recent weeks. Whether it be General Electric or RCA, First National City Bank or Xerox, Standard of Indiana or Prudential, these and a number of others have assured me that their corporate social responsibility activities are not being cut back. Indeed, some are even expanding.

This is not to say that new or continuing corporate social responsibility, urban, or public affairs programs are escaping close scrutiny and expert evaluation within these firms. But this is what good managers do with all corporate programs—and corporate social responsibility, having come of age in the best of our

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businesses, now has good managers.

Does all this signify that our corporations today are totally imbued with the concept of corporate social responsibility and are vigorously implementing it? Not at all. Even in the life and health insurance business, which has led in this field in a number of ways, concern and commitment vary widely among the 450 companies serviced by the Clearinghouse on Corporate Responsibility.

Rhetoric often masks reluctance. The chief executive's policies, unless consistently and forcefully emphasized, are sometimes eroded by associates and middle management. The meaning of proper performance in this area is still not correctly understood by all divisions and departments.

Indeed, it is fair to say we are seeing today only the beginnings of corporate social responsibility as a potent force within our business system and our society. Those of us who have played a part in the conception, birth, and infancy of this spirited child have seen remarkable progress. But we know that its true potential can only be dimly perceived.

Too often when social and econom-

ic problems are discussed, when forecasts are made, every element goes into the mix save one: the human personality. There is an excellent reason for that omission: the human factor is the most difficult to fathom, the hardest to predict.

### A day just dawning?

Yet it is precisely this factor that gives me most hope that the day of corporate social responsibility in this country is just dawning. The trials and trauma of our recent past, going back to the sixties, have left their mark on the values and dreams of millions of Americans. No one should make the mistake of thinking that corporate executives are immune from these changes.

Trauma is by nature painful, and it has not been easy to question and then alter long-held basic beliefs. But, looking around at the leaders of corporate America today, you can discern a developing dissatisfaction among them with the traditional preoccupation about profit for profit's sake. Here and there, and more and more, the middle-aged successful businessman or woman is asking the same questions that we have come to

expect from younger Americans about the meaning of life and work and the deeper social significance of individuals and institutions.

### Graduates of the sixties

We will see and hear more of these new questions and values from businessmen and women. The ranks of middle management are already beginning to be filled from the graduates of the sixties. Even though they may be among the more traditional or conservative of their cohort, these younger businessmen and women come with a mind-set developed during quite a different era from their older brothers and sisters in the corporate hierarchy.

One of the most intriguing movements in this connection is the very existence over the past few years of an organized group of socially aware graduate and undergraduate students of business administration. These young men and women have banded together as the National Affiliation of Concerned Business Students, with headquarters in Chicago and active chapters in a number of colleges and universities.

With the social orientation of many of the younger executives mixing with the social consciousness of some of the older corporate leaders, we may see a blend of business management that will surprise both the right and the left in this country. The ramifications of such business leadership could produce a kind of coalition for social action in this country which most of us would have thought inconceivable only a decade ago. At the very least, a determined, growing corporate social responsibility movement provides assurance that we have reached the stage when business is part of the solution, not just part of the problem. **END**

MR. KARSON is director, Clearinghouse on Corporate Social Responsibility, Institute of Life Insurance. His comments have been edited from a presentation he made before a Conference on Labor, Management, Public Interest at the University of Chicago, sponsored by the National Conference of Christians and Jews. Reprints are available from Nation's Business. See box on this page.

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## A Way for College Students to Learn From Businessmen

**B**usiness students at the College of William and Mary, in Williamsburg, Va., go right to the source to learn about such things as capital formation or corporate responsibility.

When they wanted a briefing on the steel industry, for example, they had an hour-long rap session with Edgar B. Speer, chairman of United States Steel Corp.

To find out about rising sugar prices, they interviewed Robert T. Quittmeyer, president of Amstar Corp., the nation's largest sugar-processing company.

The idea for putting students in close touch with their subject was conceived by Associate Prof. William H. Warren of the William and Mary School of Business Administration. Executives talk with his students long-distance by telephone, and classroom loudspeakers carry the two-way conversations.

"There was no way we could hope to get these busy people to take the time to appear in the classroom," says Prof. Warren.

"But we find many are willing to give us an hour if they can simply



*Associate Prof. William H. Warren and students at the College of William and Mary during a long-distance rap session with a big business executive.*

talk to the class from their offices."

Some 60 titans of business have shared their knowledge with the students since the program was launched in February, last year. One participant was not content with a telephone interview. Adnan Khashoggi, chairman of the Triad Holding Co., of Lebanon, came in person. Not only that, but Mr. Khashoggi, a wealthy oilman, invited nine students to visit Saudi Arabia at his expense.

The students research a company thoroughly in advance of interviews. Questions and answers are lively.

"They kept me on my toes," Mr. Speer says. "It was a wonderful op-

portunity to get together with a group of young people and exchange some ideas on the business world today."

When the fall semester opens, a new format will be used. The students will study case histories of problems that companies have had and come up with solutions of their own. Then they will find out from company executives how the problems actually were solved.

"My classes really benefit from the exchanges," Prof. Warren says. "The students end up with a better understanding, not only of the company the executive represents, but of the whole free enterprise system." ●

## The War on the Waste Caused by Accidents

Uncle Sam has set out to ensure your safety—on the highway, at work, in the products you eat, wear, and apply to your body, and where you live.

But is Washington the answer? Vincent L. Tofany, president of the National Safety Council, is not so sure.

"It has become a national habit to turn more and more to government to achieve whatever ends we seek," he says. "This has been conspicuously true in safety in the last decade. Money has been authorized, agencies have been established, and the impression has been widespread

that Uncle Sam was going to solve the problems."

But what has happened? According to Mr. Tofany, one federal safety program after another has been disappointing.

"The facts of the situation underscore a truth that the most farsighted leaders of safety have known since the beginning of the organized safety effort," he says. "... It is the private sector which has the most important role in accident prevention. It was industry which organized the National Safety Council in 1913 and committed it to combat accidents, not just in the workplace, but in all places."

Private industry, if for no other reason than the costs involved in accidents, is deeply committed to job

safety. Because of work accidents, approximately one million productive man-years were lost in 1974, and resulting medical expenses, wage losses, administrative costs, and property losses totaled \$15 billion.

"Upon safety professionals, and especially upon safety-minded managers, falls the special responsibility in this time of economic stress to be sure that the budgeters and fiscal planners in organizations see accident prevention in its real relationship to costs," Mr. Tofany says.

"The enemy of corporate well-being today is waste, and there is no more conspicuous, gross, and avoidable form of waste than that produced by accidents." ●

*continued on next page*



## Annual Reports From the Arts?

The arts are big business in America, so perhaps the time has come for executives in the arts field, like those in any other big business, to put out annual reports that set forth goals and priorities.

Robert W. Sarnoff, chairman of RCA Corp., thinks so. Since Mr. Sarnoff also is chairman of the Business Committee for the Arts, composed of 115 prominent executives, his view is likely to get more than passing attention.

It is not enough for an opera company or a community theater to make public an annual statement of its income and expenditures, Mr. Sarnoff feels. Rather, he says, they should make strong efforts to assess their future needs as well as analyze their present and future income sources.

The kind of annual reports of the arts he envisions would be wide-ranging studies that "tell us each year what the arts are doing in the communities they serve, how much it is costing, who is putting up the



RCA's Robert Sarnoff, devoted to the arts, cherishes this bust by Alberto Giacometti.

money, and what the deficits and expectations for future spending are."

Without such information, he says, it is difficult if not impossible for arts groups and their financial supporters to set realistic goals and priorities.

"I would like to see arts organizations pay more careful attention to such practical matters as anticipated cost-income gaps and the generating of financial support for operating expenses," Mr. Sarnoff says. "These are perennial problems, in good times and bad, but if a recession has some uses, one of them is the incentive to start doing what you should have been doing all along."

He thinks corporate contributions to the arts should follow the lead of corporate giving to education. In the beginning, businesses earmarked educational contributions for specific projects. Now, the trend is toward unrestricted grants—money to be used where it will do the most good.

"I am not advocating a centralized arts bureaucracy to replace our pluralistic system, nor am I suggesting that donors be locked in to any specific funding pattern," Mr. Sarnoff adds.

"What I do feel is necessary, particularly in these difficult times, is a greater measure of rational, long-range planning, and less reliance on eleventh-hour appeals to save stricken arts organizations." ●

## A "Unique Technique" for Motivating Workers

A way to imbue workers with a desire to do better on the job—thereby improving the performance record of bosses—is spelled out in a new book.

Entitled "Open Management," the volume is described as a practical guide to better productivity, improved motivation, and less stressful relations in the workplace.

"Open Management" (\$7.95, Peter H. Wyden/Publisher, New York) was written by Vincent W. Kafka and John H. Schaefer. Mr. Kafka, who has been a personnel training director for a number of major corporations, teaches marketing and management development for the University of California Extension Service. Mr. Schaefer is a counseling psychologist with wide experience in the develop-

ment of personnel training programs.

The book's title is the name of what the authors call "a unique technique." The technique's purpose: "Exploring and appreciating the viewpoints of all people in the work environment, simultaneously, and in such a complementary way that each person will grow to understand the viewpoint of the other."

There are three principles of open management:

"See a situation from the other person's point of view."

"Identify and build on an individual's strengths, rather than concentrate on how to improve weaknesses."

"Understand and satisfy an individual's human needs."

"For years, managers and employees have searched for practical solutions to motivational problems on the job," the authors report. "If one person in the work environment can see

the other person's point of view, he not only understands the problem better but has a better chance of developing a solution."

The writers say a more favorable work environment can be created by identifying and then satisfying another person's psychological needs. In an environment that thwarts satisfaction of these needs, they add, "work is a source of frustration, anxiety, or boredom—a way to earn a paycheck, nothing more."

Noting that people problems have always been a major concern of business, the authors recommend:

"One way to make a start at solving people problems is to be aware of the changes taking place in the work environment. The perceptive observer is one who can distinguish between significant changes and those which only seem to be significant." ●



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Mr. Nicholas has been to the White House to personally meet with the President of the United States after being selected as one of the outstanding businessmen in the Nation.

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# How Willard Rockwell Piles Success on Top of Success

Known for his skill at picking managers and merger targets, this superactive industrialist has built one of the country's great companies

**W**ILLARD F. ROCKWELL, JR., chairman of Rockwell International Corp., is in his limousine, being driven to his company's hangar at the Pittsburgh airport. There, he'll board one of the company's executive jets for a trip to one of its many, far-flung operations.

His chauffeur picks up a phone on the dashboard and dials. "We'll be there in 12 minutes," he says.

As always, Mr. Rockwell has a briefcase with him that bulges with documents marked for his attention.

There are newspaper clippings about business developments, various reports from executives, and a lawyers' summary of a class-action suit against a Rockwell International division—a suit which the lawyers assure him is unjustified.

There even is a scrawled letter, its envelope marked "Rush!" and "Personal!" over and over again, which turns out to be from a collector of

autographed photos of prominent Americans.

Mr. Rockwell tackles the documents, jotting down notes. Then he uses a phone in the rear of the limousine to call his downtown Pittsburgh office, which he left only a few minutes earlier. He gives his secretary instructions, gets a Virginia phone number from her which he dials in vain—there's no answer—and immerses himself in the contents of the briefcase again.

But not to the exclusion of all else.

He glances out a window at the tree-covered slopes bordering Parkway West and stares thoughtfully at them. He turns to a *NATION's BUSINESS* editor who will be dropped off at the airport.

"Look at those trees," he says. "Sumac . . . junk timber. This is the main approach to Pittsburgh. You'd think someone would have thought of planting good trees there—ever-

Next to Willard Rockwell's office is a room crammed with mementos such as autographed photos of astronauts whose spacecraft were made by his company. The model is of a small plane also produced by his company.

PHOTOS: LEONARD SCHUBER—BLACK STAR



greens—so it would really look like something.”

Later, when Mr. Rockwell is back from his business trip, he will make a speech to a civic group about the idea. . . .

The episode is typical of the way Al Rockwell—as he's known to his friends—lives his life.

He's absorbed in his business, and that absorption has paid off in burgeoning sales and profits. Somehow, he also manages to put ample time and effort into many other causes.

The son of an industrialist who created two successful business enterprises, Rockwell-Standard Corp. and Rockwell Manufacturing Co., Al Rockwell has piled success on top of success.

He worked out a merger with North American Aviation, Inc., in 1967, and has masterminded a long series of other company combinations, including a merger with Collins Radio Co. in 1973 and acquisition of Admiral Corp. in 1974.

Rockwell International, which was called North American Rockwell until 17 months ago, had record sales of \$4.4 billion last year and record operating earnings of \$130 million. This year, sales will reach a probable \$4.9 billion, though the recession may prevent profits from keeping up with sales.

The company has a product mix that ranges from Sabreliners for executive travel to a host of auto and truck components, from equipment for utilities and manufacturers to power tools, television sets, and other appliances for consumers.

Much of Rockwell International's activities put it on the frontiers of technology. It is deep into micro-electronics—one example is its manufacture of masses of handheld electronic calculators sold under other companies' labels or its own name. Rockwell is the prime contractor for the Space Shuttle, which is expected to be the nation's principal space transportation system for the rest of the century. It also is prime contractor for the B-1 bomber, which is designed to fly long and low to escape detection by enemy radar and to fly high at twice the speed of sound.

Mr. Rockwell began his career under the tutelage of his father, Col.



An avid Pittsburgh Pirates fan, Mr. Rockwell is a member of the board of directors of the group that owns the team. The baseball is one that the late Pirates slugger Roberto Clemente slammed into for his hit No. 3,000.

Willard F. Rockwell, Sr. [see "Lessons of Leadership," *NATION'S BUSINESS*, November, 1967], who worked until he was in his 80's. Al Rockwell became president of one of his father's companies in 1947 and president of the other in 1963.

As the architect of Rockwell International, Al Rockwell was its chief executive officer as well as chairman until last year. Then, he relinquished the former title to the company's president, Robert Anderson, whom he had hired away from Chrysler Corp. in 1968. Mr. Anderson was vice president and general manager of Chrysler's Chrysler-Plymouth division.

But the fact that Chairman Rockwell is no longer his company's chief

executive officer doesn't mean he is taking life easy.

At age 61, he keeps a pace that would be tough for a 30-year-old, giving of himself to his company and to a long list of endeavors aimed at civic, educational, cultural, environmental, and economic uplift. To name only two of his commitments: He was 1974-75 chairman of the National Alliance of Businessmen, which concentrates on economic betterment of the underprivileged; and he is an active national director of Junior Achievement, which gives youngsters practical knowledge of what the business system is all about.

"He travels more than almost any man I've known," says Mr. Anderson. "Some days, if I want to see



him, I think I must be working for Howard Hughes. But I can always get in touch with him. We talk almost every day on the phone, if not in person.

"He's involved in an incredible number of things, but at the same time he stays very close to the business. He's always thinking about the business, and planning, but he pretty much gives you your head. He's a great boss. He can be tough, but I've never seen him lose his temper."

In this interview in his spacious, 54th-floor office, Mr. Rockwell discusses his management philosophy, his career, and such other matters as why a man named Willard Frederick Rockwell, Jr., is known as Al.

**Mr. Rockwell, what do you recommend as the single most important rule for a manager to follow?**

I think it's one that was handed down to me by my Uncle Walter—who, as it developed, was more like my brother than my uncle and whom I worked closely with for many years. The rule is: "If you learn more about the business than anybody else, you'll be the best guy to run it."

**Your company has more products than you can shake a transistor at. Surely, no individual can have that much knowledge about all of them?**

Well, you don't expect any one individual to run all the various facets of the business. You have a guy at the group level and a guy down at the division level, and each of them should have more knowledge about his particular operation than anyone else. You also should have pretty good, broad general knowledge, but technology is moving so fast that you can't keep up with it. You must have people whom you can count on to be on top of new technology.

Bob Anderson, when I started talking about side-looking radar one day, said: "I don't even know what front-looking radar is." Some of these things get a little beyond us.

I told our microelectronics people: "Explain to me what this bubble memory thing is all about; I hear it's going to be one of the big things in the future." And I had to sit down and spend a lot of time taking primary lessons on bubble memory.

**What in the world is bubble memory?**

It's an improvement in the computer field. You put the molecules of a material into such a position that you can read them out electronically. This one says one, and another says two, and so forth.

Nowadays, they put stuff on big rolls of tape. With this, you will put information on a small piece of metal—small as your finger. It will hold more information than hundreds of these big tapes.

**You have been called one of America's best pickers of managers. What is your secret?**

There is no great secret. A fellow who has a successful track record usually makes a pretty successful manager. So you look at the track record and find out what the strengths and weaknesses are—what a person is like. Sometimes, that takes a lot of probing.

**How do you go about doing that? For example, how did you probe before you decided to hire Mr. Anderson?**

Well, in his case, I went to a lot of people who knew him and asked everything I could think of about him.

In addition, I had a management consulting firm check. They went to a lot of people who were closely associated with him, including people who worked for him and people he worked for. They asked questions about his strengths and weaknesses and came up with some awfully good reports.

That was a real, in-depth investigation.

**The job of picking a manager is easier, I suppose, if it's from within your own organization—that is, it's easier to get the track record?**

Oh, yes, and we prefer to promote from within if we can.

**You have been described as being at the forefront in the art of technology transfer—using knowledge gained in defense or space work for other products. To what do you owe your successes?**

I think our most notable transfer successes involve the transfer of good technological people into commercial

operations. They, in turn, transfer their technology.

**Your father was a great influence on you in the business arena?**

Right.

**When you took over the helm, did you have a feeling of undue interference from him?**

No. In fact, the thing worked out very nicely, because of there being two companies, really. When I was 33, I was elected president of Rockwell Manufacturing Co., and he moved away from that pretty rapidly. I didn't become president of Rockwell-Standard Corp. until 17 years later. By that time, he was slowing down.

Within a year after I was made president of Rockwell Manufacturing, we had a potential acquisition, and I went to my father and asked: "What do you think about this? Do you think we ought to do it?"

He said: "Make up your own mind. It will either be a very profitable venture or an expensive lesson."

**Did you at any time, as a youngster, think of going into some other career?**

No. I was always interested in business.

When I went away to college at Penn State, my father said: "All I want you to do is graduate in four years and get an engineering degree. I think you should get an engineering degree if you're going to be in business."

So I did. I got an engineering degree, and I just barely made it in four years.

I wasn't going to go to work for him, but one day, shortly after graduation, he had my mother wake me up and say: "Father wants you to go over to the office with him." I rolled over and went back to sleep. She came back ten minutes later and said: "Come on, your father wants you at the office."

So I went over and he said: "If you work for me, I can give you ten years' experience in five years." He sold me on the idea that that was the thing to do, rather than take another job I had lined up.

I say now that I worked for him



## How Willard Rockwell Piles Success on Top of Success *continued*

for 35 years—something like that—and therefore I've had 70 years' experience!

**Did you find the engineering degree valuable in business?**

Yes. I think knowledge of engineering gives anybody who's in a manufacturing business a background necessary for appreciation of technology.

In addition to that, when I got out of school, my father told me: "If you're going to be successful in business, the first thing you have to learn is how to analyze a balance sheet." So, after I went to work for him, I went to night school, taking additional courses in accounting, finance, banking, and so forth. I did that for six or seven years, until I went into the army during World War II.

**You have been pretty successful in putting mergers together. Are they good for society, as well as your company?**

Yes, I think so. They're good socially because they are good economically. Frequently, in order for companies to stay viable in domestic or world markets, they must become more efficient through consolidation.

**Could you tell me something about your techniques for working out a merger? How about your biggest—with North American Aviation?**

Well, I read a magazine article stating that North American was looking for an earthbound partner—that John Moore, the executive vice president, was looking around for some commercial businesses that might be merged with his company, which was 100 percent aerospace. So I got in touch with John Moore and he said: "How about coming out here to California and sitting down with Lee [John Leland] Atwood, our chairman?"

And we were on our way, though we didn't wrap things up then. Later, Lee and I both happened to be on a tour for business executives behind the Iron Curtain and we took some time out to talk merger. Just as a result of having the time to sit down and talk about various things that had to be worked out, we were able to get the thing done.

**The Rockwell part of the merger was smaller than the other part, and yet the name of the company now is Rockwell International. How did that come about?**

Well, profitwise we were close. Just before the merger it was 54-46. And in fact, 12 months after the merger, the commercial side accounted for over 61 percent of profit.

**What about sales?**

In 1967, the year of the merger, commercial sales were 30 percent of the total, with government sales 70 percent. Today those figures are approximately reversed, with the commercial sales amounting to 70 percent. And total sales, by the way, have just about doubled since the merger.

**After a deal of that size, Mr. Rockwell, have you suddenly looked at yourself in the mirror and wondered what you have done?**

Yes, I've said: "Is this really me?"

**Have you found sometimes that a deal has not worked out?**

Well, that one did. But we have had some bad ones.

Sometimes, you have to work out your mistakes and take your lumps. That first merger that I talked about, where my father said I was going to have a profitable venture or an expensive lesson, turned out to be an expensive lesson.

That was the Ohmer Corp., in Dayton, Ohio, which made taxi meters and fare registers for streetcars and buses. That company, right after the war, went into making cash registers. At the time, you could sell anything you made—there was quite a scramble for goods. So the company did fairly well for a while.

But then National Cash Register began getting back into production of cash registers—they'd been making fuses and other defense products during the war. Their production started to catch up, and it was their quality versus ours, and we were way out in left field. So, after taking some rather serious losses for quite a few months, we liquidated the cash register business. The other businesses are

in the process of being liquidated.

Then there was the time I bought a saw company over in Columbus, Ohio. It turned out to be a great fiasco.

**What went wrong?**

Well, the company was manufacturing handsaws, circular saws, and band saws. And there were too many other well-established companies in the business. There was better technology among the competitors.

We thought we could make our place in the market. We couldn't. But we did salvage our band saw line—we still make band saw blades. We gave up on the handsaws and circular saws.

**Could you describe one of your typical workweeks?**

This week, I was in Pittsburgh at my office Monday and Tuesday. Yesterday, I went to New York for a couple of things there—a Junior Achievement national finance committee meeting and a talk with a guy who wants to sell off a couple of divisions of a large company. I was back in Pittsburgh last night in time for dinner.

Tonight, I am flying down to Houston and having an audit committee meeting with two other directors whom I'll meet on the way down. From there, I'll fly to New York for a Marine Corps function tomorrow night. I'll come back home Saturday.

**When you were your company's chief executive officer, you used to work 12 and 14-hour days. Do you still?**

Not as many. But when I get back from a trip there's an awful pile of stuff to cover. I'm here in the office at ten o'clock at night sometimes, or I bring home a bunch of stuff in my briefcase and catch up at home.

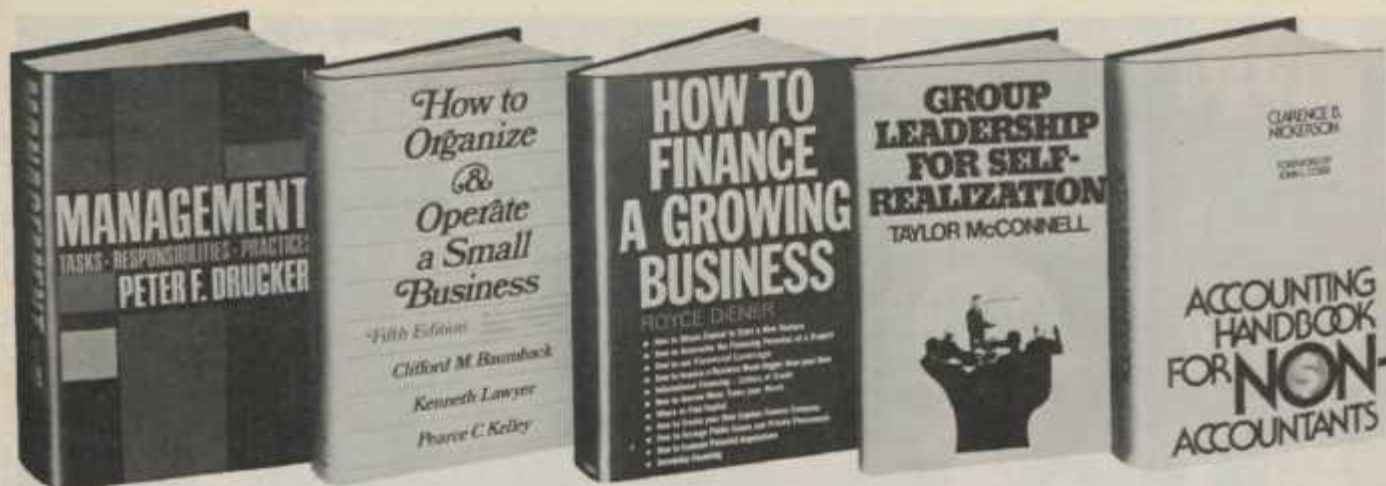
**Home is where?**

An apartment not much more than a baseball throw away from this office. I can show it to you. It's right down there. I can check and see if my wife is in or out.

We spend most weekends at our country place in Farmington, Pa.

**Are you in the company offices in**





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If you were on Mr. Rockwell's personal Christmas card list last year, you have already seen this picture of him, his wife Constance, their four sons and their daughter, their daughters-in-law and son-in-law, and their grandchildren. Location for the holiday greetings photograph: In front of the Rockwell-owned Nemacolin Inn. Time: Another holiday, July 4. That snow is artificial.

## How Willard Rockwell Piles Success on Top of Success *continued*

### **southern California very frequently?**

I used to be. But I'm there much less since I gave up the chief executive job and since we concentrated more of our management functions here in Pittsburgh. I'm in Washington on aerospace business now almost as much as I'm in California.

### **Are you overseas much?**

Oh, generally, I'm overseas three, four, sometimes five times a year. A week from Monday, I'm heading for the Far East. I'm taking a vacation cruise, but I'm also going on business. I'm going to visit our Taiwan plant, which I've never seen, and our Singapore operation.

**I get the impression from talking with some of your associates that you get a lot of fun out of business.**

Yes I do. There's a challenge every day, and I enjoy meeting it. Working hard is a pleasure to me. It gives me a lot of satisfaction.

### **You also get quite a bit of fun out of recreation, I'm told. What kind of recreation do you enjoy most?**

Well, I like the outdoors. I like hunting, fishing, golf. Not only do I enjoy outdoor activity, but I enjoy the fellowship that goes along with it. I guess I've carried that pretty far.

### **How do you mean?**

Well, I started out with my own private residence down there in Farmington, and then I would have more and more friends coming in and shooting with me—I had quite a few thousand acres.

Finally, I set up a shooting preserve for general use.

Then, with the shooters coming down and not having a place to stay, I built an inn—the Nemacolin Inn—and then I developed a golf course and put in tennis courts and so forth.

The same thing is true of my winter residence down on Cat Cay in the Bahamas. I went in with a group of

fellows on the club there. It had been a great spot, but it was almost a wreck when we took it over and rebuilt it.

### **The inn and the club are personal, sideline commercial ventures for you?**

Yes.

### **Mr. Rockwell, your father kept working until very late in life—until ill health forced him to cut back?**

Yes. He had no hobbies whatsoever. So when he became 65, he just wanted to keep right on going. In fact, at 80, he wanted to keep on going and did, although he's not active now.

### **How about yourself? Do you plan to keep on going?**

No sir. I have sort of started building up to full-time retirement at 65. Oh, I intend to remain on the board and come back to meetings, but I intend to spend my winters down at



Cat Cay and do more of other things I enjoy doing.

**Obviously, you feel hobbies are beneficial?**

Yes. Many people retire and don't know what to do. They get jittery because they can't relax. I made up my mind long ago that I didn't want to graduate from business that way.

**I understand that in pursuing your hobbies you occasionally mix Rockwell International business with pleasure.**

Yes. For example, I wanted to see Prudhoe Bay in Alaska and what the pipeline problems were all about—the pipeline that had been held up by environmentalists for years. I also wanted to do some fishing.

So I went up there. I got a wonderful view from a helicopter of the pipeline area and I spent some time in salmon fishing on the coast and did some wonderful trout fishing at a remote stream. I also sold the pipeline company some valves and "Christmas trees" for controlling the flow of oil.

**A big order?**

It was a big order. They were looking for some additional capacity.

**You have also hunted in the Arctic?**

Yes, several times, and in Africa once. I got everything except a lion.

**Your name is Willard Frederick Rockwell, Jr., and your oldest son is named Willard Frederick Rockwell, III. Yet you're known as Al and he's known as Terry. How come?**

Well, back when I was three years old, during World War I, my three sisters all had sailor dolls and soldier dolls, and my father asked me what I wanted for Christmas. I told him I wanted a sailor doll, and he said his son was going to be a sissy. He started calling me Little Alice, giving me the raspberry about wanting a doll. Then it was shortened to Al, and that has stuck ever since.

**And Terry?**

He's the third to bear the name. Tertiary.

**Do you think any of your children**

**will follow you into the upper reaches of your company?**

I have three prospects, and I hope one of them will make it.

Terry is in production and industrial engineering. He has a wife and three children, but he's going off to take the Harvard advanced management course for three months this fall. I have another son, Kent—he's an M.B.A.—who had been running his own little business and started to work for us the first of this year. His interest is more in financial management and marketing. Then I have a son, Peter, whose only interest is in marketing. He was the top salesman last year in our automotive power tools division. Now he's its sales manager for the Midwest area.

My fourth son, Russell, has become a professional movie photographer out in Portland, Oregon. He worked for us for a while but thought he would like to work at something where he could express himself better. I also have a daughter, Lynne, a very lovely gal who is raising two fine kids. All my children are pretty solid citizens. I'm proud of that.

**You said you hope one of the three sons with your company makes it. Who will decide if he does?**

That's up to Bob Anderson and other people. I won't make that decision. If my sons have it, they will move up.

**Mr. Rockwell, you're personally active as a conservationist, and you've been involved in environmental problems both as a citizen and an executive—you've served as chairman of the National Industrial Pollution Control Council, for example. Do you have a philosophy on environmental issues that you'd like to share?**

Well, just that there have to be trade-offs between a pristine environment and the economic aspects of keeping the country going.

For example, when the Clean Water bill was passed by the Senate in 1972, there were no votes against it, I believe. One senator admitted to me that just about none of the Senate had read it before voting on it. The issue was voted in without really being thought out—because the senators felt it was like motherhood and

the flag. Everybody had to vote for it.

**Does that bill affect your company?**

Yes. It affects practically every company. They're going to make rivers cleaner than any river was before the white man set foot in America. Some of the bill's requirements are almost to the point of being ridiculous.

**Is it costing your company a great deal of money?**

Yes. And it also affects the consumer. Environmental laws passed without due consideration of what they do costwise have quite a snowball effect.

**You have also been very active in the field of employment for the disadvantaged. You hardly come from a disadvantaged background yourself. How did you become so interested in this area?**

Well, I think anyone doing his job as a citizen has to look at the social problems of this country. One of those problems is finding employment for the disadvantaged.

**Do you have any advice for a young man or young woman starting out in business?**

Just that I think a youngster has to make up his mind that he is going to be conscientious, that he is going to continue to educate himself, that he is going to strive to be really successful. A lot of people get so far and then other things take over. They don't apply themselves.

I have had some fun with a quotation from an old friend of my father who became a close friend of mine.

He said: "If the son of a successful businessman isn't more successful than the father, something is wrong with either the father or the son."

I like to quote that and add: "I've always worked hard to prove there wasn't anything wrong with my old man."

It looks like my boys are doing the same thing. **END**

REPRINTS of this article are available from *Nation's Business*. See page 40 for details.



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right  
with  
America”**

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This slide presentation, which combines artwork and photography, is a realistic but optimistic look at our current situation. It underscores the National Chamber’s belief that the past record of economic progress under the free enterprise system *can* continue—if Congress acts to encourage the market economy. “What’s Right With America” puts a number of current issues in clear focus, and is particularly recommended for community organizations, employees, management trainees—and the students whose understanding of our economy is vital for the America of tomorrow.







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# A White House View

L. William Seidman, the President's economic policy coordinator, sees recovery ahead without inflation—if certain conditions are met

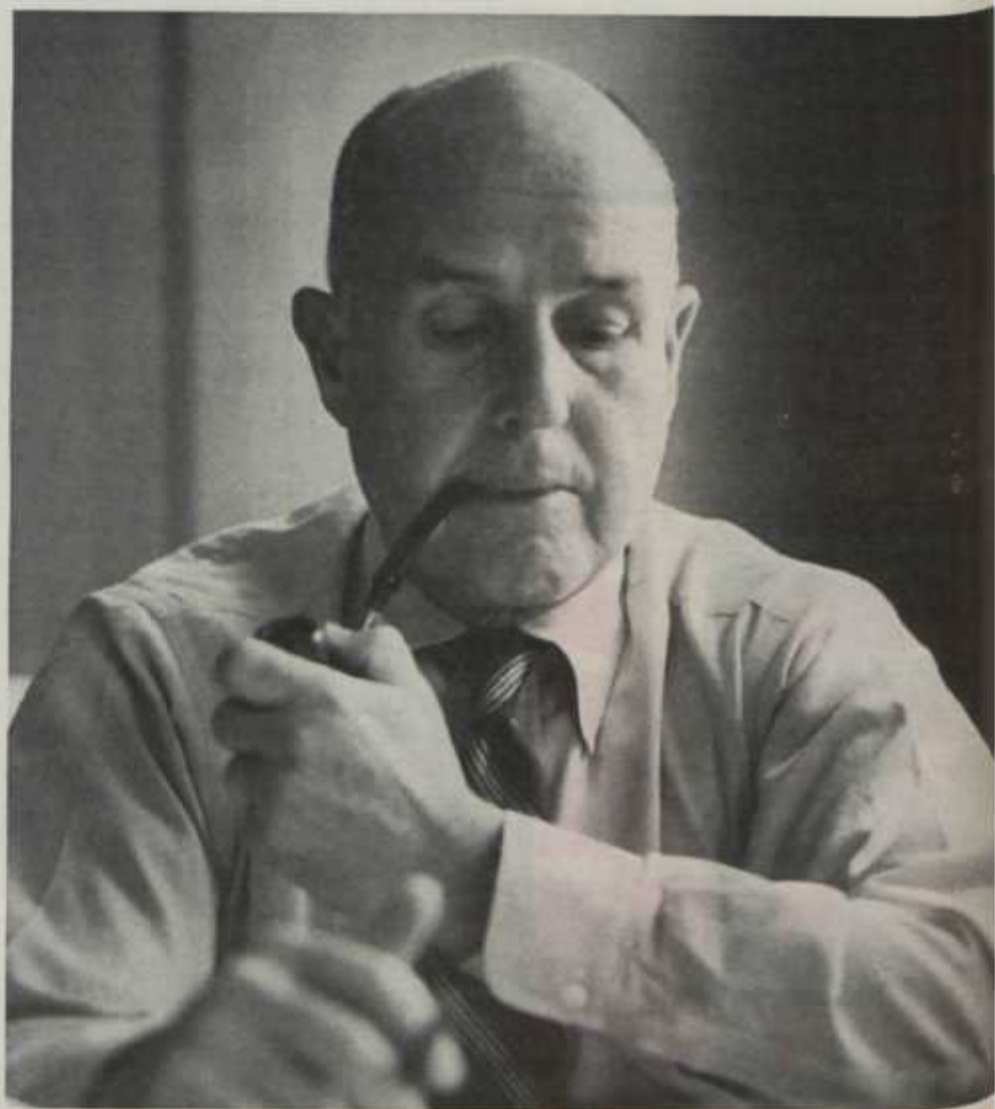


PHOTO: DENNIS BRACK—BLACK STAR

**T**HE WORDS may not have the ring of New Deal or Great Society or New Frontier, but the Ford administration, battered by economic woes, would like to be remembered for launching an era of what could be called Recovery Without Inflation.

Can Gerald R. Ford pull it off?

A man close to the President thinks Mr. Ford can—provided, of course, that all of the pieces fall in the right places at the right time.

L. William Seidman, the President's economic policy coordinator, is convinced that the President is on the right track.

Two big ifs blot his optimism—if Congress holds the line on federal spending, and if private industry can find the capital it needs to expand and provide at least ten million new jobs in the years ahead.

## Supersensitive spot

Bill Seidman is not an economist, although he points out he was an economics major in college. He is an accountant and attorney who was plucked from relative obscurity to take on what has become one of the most sensitive spots in Washington—keeping the President abreast of

the complex and fickle American economic machine.

From a rather small and unpretentious second-floor office in the West Wing of the White House—almost directly above the Presidential Oval Office—Mr. Seidman carries out his dual role of assistant to the President for economic affairs and executive director of the Economic Policy Board.

The office once was part of the fiefdom of John Ehrlichman, Richard Nixon's domestic majordomo. Here, all the bits of economic data that are sifted and fashioned into options for Mr. Ford come together. Mr. Seid-



# of the Economy's Future

man says: "It is my basic job to see that various views from within and outside the government are fairly presented to the President."

It is also his job, after Mr. Ford makes decisions, to help ensure that the Chief Executive's policies are put into action.

A slogan on a wall next to Mr. Seidman's desk is a tipoff to one aspect of the man. It says:

"Everything cometh to him who waiteth, so long as he who waiteth worketh like hell while he waiteth."

## Jogging in the morning

The 54-year-old Mr. Seidman puts in a 13-hour day. He jogs, beginning at 5:45 a.m., near his Georgetown home. But he has little opportunity for such favorite pastimes as tennis and snorkel diving. There are reminders of these pastimes in his office—a seldom-used tennis racket is propped in a corner, and an aquarium left behind by a previous White House aide dominates one wall.

"It's interesting to watch the fish," Mr. Seidman said during a recent interview with NATION'S BUSINESS editors. "Reminds me of politics. Every so often, some fish takes a nip at another when he's not looking."

William Seidman—the name is pronounced Seedman—grew up within a few blocks of Gerald Ford's home in Grand Rapids, Mich., but they were not boyhood chums. In fact, it was not until the early 1960's that they became acquainted—when Congressman Ford was recruiting people for the local Republican organization.

Mr. Seidman, whose parents were staunch Democrats, ran unsuccessfully for the Michigan auditor general's office in 1962 on the same ticket that brought George Romney to the governor's office. He later joined the ill-fated Romney-for-President campaign.

After military service in World War II, Mr. Seidman signed on with the family accounting firm of Seidman & Seidman in Grand Rapids. He eventually took control as manag-

ing partner. Within a few years, he had expanded the firm from an operation with 18 branch offices into an international organization that now ranks among America's ten largest accounting businesses. In the process, he became a millionaire.

Words like moderation, restraint, and patience are prominent in Mr. Seidman's vocabulary as he lays out the grand White House design for the economy.

"This is a new concept," he explains. "In the 1930's, it was recovery with the National Recovery Administration—which sought inflation. More recently, it was just recovery—period. Now, the focus is on recovery without inflation."

The goal can be achieved, he believes, if four essentials are met:

- Moderation in economic expectations.
- Fiscal restraint in government at all levels.
- Increased savings and capital investment.
- A sound plan-ahead energy program.

## A change in direction

"We've been going in the wrong direction in our expectations, our spending, our capital saving, and our energy dependence," Mr. Seidman says. "What we need is to change direction so the new and the old can join. We need a new direction to return to old truths."

He cautions, however, that the government must move step by measured step, making certain at every point along the way that in its zeal to wrest free from recession it doesn't overstimulate the economy and bring a return of "substantial" inflation.

"Patience has never been a great part of our national character, but patience is essential," Mr. Seidman says. "It's very difficult, obviously, when people are out of work and need support to practice patience while we try to bring the economy back on a sound basis."

"One of the nation's problems has been that we overreact when things

are bad. We wind up overstimulating, and then we have to take an opposite action, along with very strong measures, to try to prevent this overstimulation from causing the economy to boil over again."

He sums up: "We need moderation of economic policy so that we aren't trying to get everything accomplished at once."

## Better forecasting tools

Mr. Seidman says that until improved economic signposts are erected, the best-laid plans for straightening out the national economy will go awry. In other words, existing tools for economic forecasting are inadequate.

That was clearly illustrated, he says, during the much-vaunted White House economic summit conference last fall, which he helped stage. Virtually no attention was paid to mounting inventories, he recalls.

"The country was in double-digit inflation, people were buying anything at any price because it was going to cost more the next day, and here was this huge accumulation of inventory which was scarcely discussed," Mr. Seidman says.

"We have taken a lesson from this and are trying to develop a much more accurate reflection of inventory. This is a most difficult figure to obtain. Now that there is massive inventory liquidation, we still don't know what the true picture is."

Better forecasts will help business, as well as government, make better decisions, he points out. But much depends on improving the data emanating from business, he emphasizes.

"It's a difficult problem and one which we've been struggling with a long time," he says. We have a special group working on it with instructions to come up with a better system for accumulating more timely and more accurate statistics."

Mr. Seidman says he doesn't anticipate that there will be extra paperwork for businessmen as a result, or that it will be necessary to issue specific instructions to them on how



## A White House View *continued*

to comply with whatever improved reporting system is developed.

Hopefully, he explains, private industry will voluntarily comply.

### Distortion of profits

Just as inventory is fuzzy in the overall business picture, Mr. Seidman says, so is profit. Profit figures are distorted by inflation, he points out.

He says he would not recommend that all companies, large and small, report real as well as inflated profits. But he adds that it would be beneficial to businessmen in general to work out accounting systems to help them fully understand the effects of inflation on profit figures and replacement costs.

"A great many people in the business community are well aware of this and have pointed it out themselves," Mr. Seidman notes.

Not only is this a matter of clearer understanding within businesses, he says, but it also involves outsiders. So, he says, "we hope businessmen will take action to make sure that overall reporting does not distort the way people think about business profits."

### A look at the future

Mr. Seidman thinks that the recession has bottomed out and that we should see "a good recovery" by the end of the year, with gross national product growing at a rate of five to six percent. He adds: "Further down the line we see the recovery continuing, with the potential a couple of years out of beginning to reach capacity limitations."

As for inflation, "there is a good chance" that it will be in the five percent range at year's end and that it will be in the three, four, or five percent range later on—if the government shows fiscal prudence.

One of the key question marks on prosperity, he says, "is what's going to happen to capital spending. It has been declining on a real basis and no one knows how far it will go down."

In this regard, he says it is vital that companies increase equity capital as opposed to debt capital. Noting that there has been a jump in business debt in recent years, he says





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(Trumpet fanfare)

THE  
HIRAM SIBLEY  
STORY



1861. Civil War is imminent and Union Leaders badly need the allegiance of the west—particularly California with its gold.

But communication across the continent is difficult. Telegraph lines extend to Missouri—after that, there's only the Pony Express.



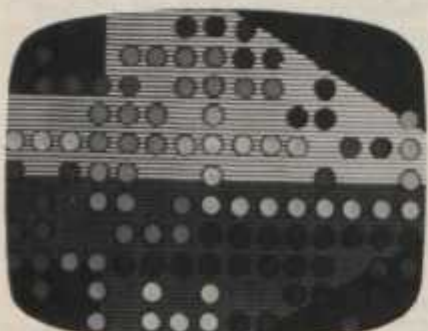
Hiram Sibley, president of Western Union, believes a line to the coast can be built before the outbreak of war



and goes to Lincoln with his plan.



Lincoln is skeptical, but three months and 20 days later, the transcontinental telegraph line is a reality.



Sibley's pioneering spirit continues at Western Union, with the most advanced communication systems in the world, including Westar, the nation's first domestic satellite system.



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in celebration of America's Bicentennial.

This is one of a series of educational public service messages being shown on television across the nation. They are based on articles which appeared in Nation's Business.



## A White House View of the Economy's Future *continued*

that as the ratio of debt to equity increases, there is more possibility of "difficulties in terms of cash flow being able to meet debts."

### The crowding-out theory

In his view, the \$60 billion deficit projected in the administration's fiscal 1976 budget is not of a size to jeopardize the ability of either the government or business to borrow money.

"But as you go up from there, the danger increases," he asserts. "Then, the government's borrowing will affect private-sector investment. Right now, when things are slack, very large sums are available for the government. As the economy moves back up and private demand increases, the government must slow down and decrease its demands to make room for the private sector."

He sees the risk increasing of a crowding-out of private borrowers, if the \$69 billion deficit in the spending program approved by the congressional budget committees is not cut.

But he will not accept AFL-CIO President George Meany's contention that the economy can tolerate a \$100 billion deficit. As he puts it:

"I think George Meany is giving his honest opinion. I just happen to disagree with it. I wouldn't say a \$100 billion deficit would kill us, but it would certainly ensure the very good possibility of a violent inflationary period further down the line. And this clearly would make it very hard for the private sector to get funds."

"This crowding-out argument is really a discussion of who is going to spend our funds and how. If the money goes to government, it goes into consumption. If it goes to industry, it goes into capital formation. So, in the long run, it's a vital argument."

### Long-range planning

Mr. Seidman is aware of, and responds to, criticisms that the government devotes too much attention to short-term economic solutions and not enough to long-term planning. He knows, too, that the term political expediency is usually coupled with the former.

"Historically, this is true," he says. "We do work on getting today's problems out of the way before looking

down the line. But the Economic Policy Board does have long-range studies under way and they are not being neglected."

"I would point out, too, that a great deal of long-range planning goes on all the time in the private sector, and we think that is vital to our economic well-being. Actually, there is considerably more planning going on than is immediately visible, because it is being carried out in thousands of private-sector areas rather than by one big committee in government."

Does Mr. Seidman feel we are moving toward a planned economy? He replies:

"I think that we have more planning in our economy than any economy in the world. It's going on in private industry as well as in government. Fortunately, there is a balance between the two. So in terms of balance, the system is not bad."

"But I do think both sides could improve their efforts and I am convinced that the federal government's role is to handle its affairs in a manner that will allow private industry to keep the economy moving on a sound basis."

### In close touch

Mr. Seidman believes the Ford administration is in closer day-to-day touch with the economy than some recent administrations were. Its approach to formulating policy is a departure from the past, he says.

Part of his reason for saying this stems from language contained in Executive Order 11808. This document was signed by the President Sept. 28. It established an Economic Policy Board "to oversee the formulation, coordination, and implementation of all economic policy." The same order established an executive committee for the board, and the President named Mr. Seidman executive director of both.

"The significant difference is that there is a coordinating mechanism which is actively working every day and that the principal people in government who are involved meet and look at these problems as a major part of their duties," Mr. Seidman explains.

These principal people include the

Secretaries of Treasury, State, Interior, Agriculture, and Commerce.

"I think the key now is that these people get together, and while they don't all agree, the disagreements are on the basis of judgment. In that way, we are able to get the differences put in shape so that the President can make his decision."

### The advisers' larger role

Mr. Seidman says creation of the Economic Policy Board has in no way reduced the role of the Council of Economic Advisers, on which recent Presidents have relied in shaping national economic policy.

"The council is doing exactly what it has in the past, except its input now is much more a part of the overall government. It no longer deals with the President alone. It works daily with various officials in government, giving them the benefit of its analyses. And, of course, all council reports go to every member of the Economic Policy Board as well as the President."

Mr. Seidman was asked to point to the Ford administration's single most important accomplishment for the economy. His answer:

"Its bringing of fiscal restraint and budgetary restraint out of the back closet and making them a paramount issue. More and more people around the country are conscious of that issue. I think the encouragement which has brought the budget committees of Congress into action so that they are calling for spending levels not too far above those sought by the President is vital to the future."

"Great strides are being made. More people now realize that we must have a fiscal program that will stimulate the economy but not overstimulate it, and that it's most important to reduce the deficit as the economy comes back—reduce it substantially."

William Seidman, as noted earlier, likes to use such words as moderation, restraint, and patience.

"You know," he says, "nothing really new is needed to produce recovery without inflation. The virtue of these terms I use has long been recognized. Our problem, just as with many commandments, is to live up to them."

END





James J. Upson, president of The Upson Co., Lockport, N.Y., a fiberboard maker, is betting on restocking of inventories and increased home building to send the economy upward. His firm's profits and sales will both be off for the year.



Arthur C. Avril, president of Sakrete, Inc., Cincinnati, is optimistic about the general economic outlook. He also predicts profits and sales for his company will be higher than last year's.



Jack L. Haney, economist for the First National Bank of Akron, in Akron, Ohio, sees the economy leveling off in the second half of 1975. He says his bank's profits will be up six percent this year.

## **THE OUTLOOK NOW**

# **SHARP RISE IN OPTIMISM**

A new Nation's Business survey shows what executives think will happen to the economy in remaining months this year—and what will happen to their own firms' sales, profits, and capital spending

**T**HERE'S a new air of optimism among executives about the state of the nation's business in the second half of 1975.

Sixty-four percent of the company officials who responded to this magazine's latest quarterly outlook survey believe the economy is on the rise. Only 30 percent expect the economy to remain at its present level for the remainder of the year. A smaller number see a downward turn.

The survey results reveal a marked growth in confidence since the last such survey [see "The Outlook Now," NATION'S BUSINESS, April, 1975]. That survey showed 44 percent of those responding seeing economic improvement in the second





Improved consumer confidence and inventory replacements are two of the reasons better days are ahead, in the view of J. Kevin Murphy, president of Purolator Services, Inc., Lake Success, N.Y.



Though he predicts an upward trend in the second half, R.A. Young, president of Bemis Co., Inc., Minneapolis, sees a danger down the line. It's "rank inflation due to high government spending."



R.E. Brooker, chairman of the executive committee of Marcor, Inc., Chicago, predicts consumer buying will give the economy a boost in the fourth quarter. For his own company, he sees sales up somewhat for the year, but profits down as much as ten percent.

half. This time, W. Fred Anderson, president, Electric Hose & Rubber Co., Wilmington, Del., expresses the feelings of many when he says: "The economy will improve moderately. Some recent basic indicators, such as lower inventory levels, higher total employment, and lower interest rates, plus tax rebates and greater consumer confidence, should develop this trend."

Hillsman V. Wilson, vice president-finance, McCormick & Co., Inc., the Hunt Valley, Md., food products firm, looks for the economy to "go up" in the second half "because most businesses will have worked off inventories." This, Mr. Wilson explains, means that "production must

pick up to replenish inventories to meet increases in demand."

On the other hand, Alfred J. Stokely, president, Stokely-Van Camp, Inc., Indianapolis food processors, says the economy will "level off, or possibly continue downward, because most companies still are trying to get into a more liquid position and are planning conservatively."

#### **Sales and spending**

Forty-eight percent of respondents look for increased sales or volume at their own companies for 1975, compared with last year, while 34 percent see a drop-off. The remainder see volume holding about the same.

One of the best indicators of how

the general economy will go is spending for capital improvements. Thirty-four percent of the executives expect their companies to put more money into capital investment in 1976 than they are putting into it this year. Twenty-six percent say their firms will spend less on capital improvements, and 31 percent say theirs will spend at about the 1975 rate. Some of the executives expressed no opinion on this question.

The employment picture could be brighter, but no more than 24 percent of the respondents expect unemployment to worsen in the second half of 1975. Twenty-six percent look for less unemployment and 48 percent think the joblessness rate will



## Sharp Rise in Optimism *continued*

remain about the same. Here again, some executives declined to speculate.

Only on the subject of profits for 1975 does pessimism outweigh optimism—and not by much. A hair over 39 percent expect decreased profits for their firms, an even 39 percent expect increased profits, and others expect the same profit levels as in 1974.

### Encouraging words

A wide variety of opinions are expressed to back up the growing feeling of optimism. Here are more-frequent answers to the question, "What do you consider the most encouraging aspect of the economy?" Shrinkage of inventories; increasing consumer confidence; reduction in the rate of inflation; easing of short-term interest rates; balancing out of supply and demand; better corporate liquidity.

In answer to the question, "What is the most discouraging aspect of the economy?" these thoughts are given: The government; deficit spending, which can cause a new round of inflation and disruptions; government interference in the economy; the attitude of the public in expecting the federal government to cure all ills; the failure of government to consider problems on a long-range basis; the high cost of financing; union demands; and unemployment.

Here is a collection of answers to questions posed in the survey:

"What do you think the nation's economy will do in the second half of 1975—go up, level off, continue downward? Why do you think this?"

Herman R. Somma, vice president, Somma Tool Co., Inc., Waterbury, Conn.: "Go up, because inventory adjustment will be substantially completed by the end of summer, plus introduction of a new model year for autos."

J.J. Wozniak, vice president-treasurer, General Construction Co., Seattle: "Go up. I'm probably positively biased due to the economy in the Pacific Northwest and company position in the industry."

Karl V. Rohlen, president, Crane Packing Co., manufacturer of mechanical seals and packings in Morton Grove, Ill.: "Go up. I think there



Huge government deficits and their "crowding out" effect on the capital market could be a big inflation factor, in the view of James G. Affleck, president of American Cyanamid Co., Wayne, N.J.

are already signs of improvement."

Harold E. Williams, vice president of finance, American Thread Co., Stamford, Conn.: "The economy will move upward, but only slightly. Confidence will gradually move some of the pent-up saving."

### Cautious consumers

T.J. Barlow, president, Anderson Clayton & Co., the Houston, Texas, food processing and distributing concern: "About the same due to cautious consumers."

Edwin L. Jones, Jr., president, J.A. Jones Construction Co., Charlotte, N.C.: "Mixed indicators in the second half, some going up and some leveling off, and even some continuing downward. I feel this way because of the general overall pessimism of Americans and the loss of faith in the economy."

Beryl W. Sprinkel, executive vice president of the Harris Trust and

Savings Bank, Chicago, and one of the top economists in the country: "Go up. Monetary policy eased in February."

Another question was: "What are you looking for in all of 1975 in the way of sales or volume for your business in comparison to 1974?"

R.V. Holsinger, controller, Fort Worth (Texas) Star Telegram: "Sales dollars up eight to 12 percent, unit sales lower. Price increases account for gain."

### Demand for loans

Dr. R. Pierce Lumpkin, senior vice president, Bank of Virginia Co., Richmond: "Expect not less than seasonal expansion in loan demand—especially consumer, mortgage, and small business."

R.L. FitzGerald, financial vice president, New England Electric System, Westborough, Mass.: "Increase of two to four percent in sales of electricity vs. the traditional increase of seven to eight percent."

James W. Severt, president, Nationwide Homes, Inc., Martinsville, Va.: "Twenty percent-plus increase."

A group response to this and other questions in the survey comes from Beech Aircraft Corp., Wichita, Kans., where President Frank E. Hedrick asked six vice presidents to answer the questionnaire. Two of them say their company's sales will be up ten to 15 percent, one predicts they will be equal to 1974 or slightly better, one says they will be up 15 percent, one says they will increase 12 to 15 percent, and one forecasts a rise of 15 to 20 percent.

Often, executives are optimistic about their own businesses but pessimistic about the national economy. Samuel S. Greeley, president, Masonite Corp., Chicago, reverses this. He says the economy will improve, but he expects his own company's sales to drop 15 to 20 percent. Furthermore, he expects substantially lower profits at Masonite.

### The profit picture

Another question: "How will profits compare to 1974?"

Jay Van Andel, chairman, Amway Corp., Ada, Mich.: "Profits are down, although sales are up."

Herbert E. Strawbridge, chairman



of The Higbee Co., a large department store in Cleveland: "Up substantially."

Curt R. Strand, president, Hilton International Co., New York: "Down 15 percent."

J.A. Elkins, Jr., chairman, First City Bancorporation, Houston: "About 12 to 14 percent better."

### The job outlook

Still another question: "What do you think unemployment on the national level will do in the second half of 1975? Go up, go down, or stay about the same?"

A.A. McCue, president, Minnesota-Wisconsin Truck Lines, Inc., St. Paul: "Stay about the same. Business is generally a little heavy on the personnel side because of conditions. Bad business has resulted in closer attention to personal levels."

S.J. Heiman, chairman, Intertherm Inc., air-conditioning and heating manufacturer, St. Louis: "It will increase for the next four to five months, then level off, and, we hope, decrease after that."

Henry A. Correa, president, ACF Industries, Inc., New York: "It will go up."

### Sitting tight

The final question: "Are you planning increases or decreases in capital investment in 1976?"

A.D. Schmidt, president, Northwestern Public Service Co., Huron, S. Dak.: "Our capital investment has been very high the past three years. With a major project now being completed, capital investment will be down in 1976, even though we are commencing major projects for the future."

A.E. Whalley, Jr., president, Whalley Construction Co., Jackson, Tenn.: "We are sitting tight and will be governed by conditions during the second half."

Allan G. Lozier, president, Lozier Corp., an Omaha store fixtures firm: "Same as 1974 and 1975, which were low years."

Wendell J. Satre, president and chairman, The Washington Water Power Co., Spokane: "To meet our utility obligations, we are planning rather substantial increases in capital investments in 1976." **END**

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## Regulatory Pressure on the Hospitals

Re "The Hospital and the Bureaucrats" [May], in which James J. Kilpatrick chastises Health Secretary Caspar Weinberger for his lack of understanding regarding the plight of small hospitals in trying to enforce the latest utilization review regulations.

The article would seem to imply that the kindly old doctors up in Okeene, Watonga, Cherokee, and Alva, Okla., live up strictly to their Hippocratic oaths, practicing nothing but the best in medical care, and that they would not stoop to any of the abuses (again implied) that occur in the large city hospitals.

I seem to get the message that smallness somehow or other denotes a better chance at perfection than largeness.

This is the same type of argument one gets from the small manufacturers of drugs, cosmetics, appliances, etc., when they become the targets of any one of the various governmental agencies in the consumer safety field. The rash of malpractice suits, however, must have had their origin, at least initially, in the incompetence of patient care supplied by the medical profession—not necessarily confined to large hospitals or city doctors.

The author's implication that the ability to spell (certainly irrelevant to the discussion at hand) is a necessary ingredient for intelligence only confirms my own feelings that the intelligentsia either won't or can't face up to reality. **GEORGE O. CUTTER**  
Vice Chairman of the Board  
The Gillette Co.  
Boston, Mass.

The article points to a classical example of a cost increase phenomenon that occurs whenever the government sets out to improve a segment of the American economy. Not only does the regulating bureaucracy generate tax-consuming costs, but the private sector must create a bureaucracy of response, which I call a com-

plicity—a word you can consider to be derived from comply, complication, or complicity, depending on individual preference—to comply with government regulations.

We anticipate hospitals will adapt and survive under the guiding hands of the well-paid complicrats. Sick people, however, are not as flexible and will fare less well as dollars are diverted from patient care to expensive administrative activities.

**DANIEL E. GORMLEY, M.D.**  
Member, Board of Directors  
American Federation of  
Physicians and Dentists  
Los Angeles, Calif.

As Mr. Kilpatrick says, by and large, "doctors are an inarticulate bunch." And many have adopted a fatalistic attitude.

They say that you can't fight City Hall.

Not me! I practiced under the socialized system in Germany and I have seen the welfare state in action. I am trying to do as much as I can to keep private practice from being turned into a public utility.

For one thing, I have stopped billing the government for medical services provided the needy under the Medicaid program. I prefer the old-fashioned and time-honored tradition of my profession to give free care to the poor.

**ALFRED W. BAUER, M.D.**  
Kirkland, Wash.

### Aliens and jobs

As president of the El Paso Chamber of Commerce, I must advise you of the disappointment and concern with which we business and professional residents of the U.S.-Mexico border area of southwest Texas noted your article, "How Illegal Aliens Rob Jobs From Unemployed Americans" [May].

We contend that only partially informed legislators, most residing in areas far distant from the border and with little firsthand knowledge of our immigration problems, are pushing the Rodino bill, which adversely af-

fects our regional interests and economy. [The bill would make it a crime to knowingly hire persons illegally in this country.] We can only conclude that the article represents the views of an editor who, like the eastern-based legislators, is only partially informed on the subject.

Last September, we adopted a policy statement that says this chamber:

1. Vigorously opposes the Rodino bill, which would force U.S. employers to question, harass, and tend to avoid employing persons of Mexican-American heritage.

2. Fully supports legislation sponsored by Rep. Richard C. White (D-Texas), who represents this area in Congress, to establish a permanent, workable contract labor program for citizens of Mexico to work in the United States.

3. Urges restudy of current, highly restrictive U.S. immigration policies as they relate to Mexico and its citizens.

**RICHARD N. AZAR**  
President  
El Paso Chamber of Commerce  
El Paso, Texas

I agree that it is a shame illegal aliens take some jobs from unemployed Americans. But I question that part of the article that said: "A farmer or other employer unable to recruit workers who are U.S. citizens can take advantage of a Labor Department program under which aliens are brought into the country to work for short periods."

More than 200 farmers here in south central and southwestern Idaho formed in 1972 a group called Sprinkler Irrigators of Idaho for the express purpose of arranging to get legal aliens in so we could do our farming. Three years and more than \$50,000 later, we have given up. The bureaucratic red tape is just impossible and the Labor Department—i.e., George Meany—has no intention of letting what we wanted happen.

**CLYDE R. KEITHLY**  
Sprinkler Irrigators of Idaho  
Nampa, Idaho



# A New Way to Improve Effectiveness on the Job

Transactional analysis is being explored by some companies as a way to increase the capability of employees to cope with problems and deal more sensibly with people

BY EILEEN MILLING

**T**HE 29-year-old junior executive in the mod, navy blue suit grinned.

"I had strong, positive feelings when I heard the music of 'Howdy Doody Time,'" he said. "That program used to come on about 5:30, just before supper, the time we were allowed to watch TV. We were always hungry, but our mother wouldn't let us eat candy. Instead, each of us would be given a big, red, juicy apple. A few moments ago, I could actually taste it again."

"I had a double reaction to that one," chimed in the attractive brunette sitting nearby. "I felt happy because when I was a kid I also enjoyed 'Howdy Doody,' but the down feelings rushed back, too, because I remembered how I had to wash the dishes afterward."

## Training method

Not a Howdy Doody reunion, the exchange took place at a conference room in the Sears, Roebuck and Co. fashion buying offices in Manhattan. There, training personnel from the American Express Co., the New York Telephone Co., IBM, the American Heart Association, and others had gathered for an all-day workshop.

It was held to explore transactional analysis—a training method that is being employed by some corporations to help personnel at all levels use their mental capabilities for problem-solving and decision-making.

The workshop participants had been listening to replays of different musical themes and had been asked to score feelings as pleasant, neutral, unpleasant, or having special significance.

Co-workshop leader Luis F. Serralta-Rivera, a psychologist, explains: "Greater awareness through long-term memory retrieval is an important part of transactional analysis—TA. There are records of things permanently recorded in our mind and there are



DRAWINGS: CHARLES A. DUNN

things happening now that can trigger the replay mechanism. These influence our current behavior. A very important goal of TA is to examine these permanent records and ask, 'Are they helpful to me now?'

Thus, the workshop's purpose was to show the participants how the brain indefinitely stores bits of information which, given the right stimulus, surface instantly despite a time lapse. Not only can memory be triggered, TA practitioners maintain, but if the stimulus is strong enough, it helps reveal how feelings left over from childhood may increase tension on and off the job, interfering with productivity, effective communication, and bottom-line results.

In addition to music, many kinds of audio and





visual stimuli—such as voice records, films, photographs, cartoons, etc.—are used in conjunction with role-playing, game-playing, and group interaction techniques to introduce and reinforce TA training in business. The programs are voluntary and are given on company time and at company expense.

### Getting along with others

Answering critics who contend that TA is superficial instant analysis, Dr. Serralta-Rivera states:

"Some people will use it as a gimmick. I see it as a practical method for analyzing and understanding dealings with others, for making relationships more beneficial without a lot of semantic mumbo jumbo.

"In business, TA answers questions such as: 'How do I get along with others?' 'Why do I have problems with my fellow employees?' 'Why do I act the way I do?'"

He cites this example:

"There was the problem of a male project assistant at the American Heart Association trying to communicate with a benefits assistant, a female. Both are college graduates, but he perceived her as 'just a secretary' when actually she is a competent and needed individual in the organization.

"She was trying to train him in benefits so he could train someone else.

"Before exposure to TA, her attitude was, 'I refuse. It's impossible. He has made the same mistake 15 times. I just don't have the time to get through to him.'

"After TA training, she said, 'You know, I think I've been able to put some approaches together that will work. This time, I won't lose my temper. If he perceives me as a low-level female, that's his problem. I have to be strong enough to know who I am and what I am. His erroneous perceptions of me are really talking more about him than me.'

"The project assistant is now grasping the knowledge needed."

TA's thrust is to make individuals cope more realistically and effectively with the here and now. It does so by making them aware of how and why their feelings and reactions have been scripted from the past, usually by their parents in the early, formative years.

Once this scripting is perceived, TA advocates say, the old script or tape can be wiped clean and replaced by a more useful, satisfying one.

### Freud was first

Sigmund Freud was the first to theorize that what people feel and do as adults relates to early childhood conditioning. However, the practical application for the millions who do not need or who can't afford extensive psychoanalytic therapy was not apparent until the late Dr. Eric L. Berne wrote "Games People Play." This was further elaborated on by another psychiatrist, Thomas A. Harris, M.D., in his best-seller, "I'm Okay, You're Okay."

Dr. Harris' model follows the line that people consider themselves as: "I'm okay, you're okay," or "I'm okay, you're not okay," or "I'm not okay, you're okay," or "I'm not okay, you're not okay."

One's view of oneself, he says, is determined by the interplay of the parent, child, and adult ego states within us. The parent is authoritarian and opposed to change and does what he was taught; highly critical, the parent may also be nurturing. The child is emotional, creative, spontaneous, and may also be manipulative and adaptive. The adult is objective, logical, using reason for problem-solving and decision-making.

When a transaction goes on between two people, the theory has it, one of these ego states will predominate.

The two persons may be in complementary ego states, in which case the transaction will be effective and perhaps cause good feelings or positive strokes. If not, communications will hit a stalemate, become ulterior or deceptive, resulting in destructive games.

If there is distortion, perhaps too much critical parent, the net impact may be frustration and declining productivity—because, with a too-critical parent at the helm, chances are slim that job responsibilities will be carried out properly.

### What are the results?

Some corporations which are trying transactional analysis refuse to comment on its effectiveness. Others, like IBM, are willing to comment, but guardedly.

An IBM spokesman says: "We can't tell if it is valid in our business culture. We'll take a wait-and-see attitude. Many programs that have taken the business community by storm have, in the final analysis, produced no earth-shattering results."

Susan Sinclair, a marketing training director for Pan American World Airways, reports that, as a result of a TA program at Pan Am, stewardesses "have said they have a much deeper appreciation for customers' and other employees' problems."

She adds: "From my own experience as a stewardess,



I remember instances when anxiety and aggressiveness of passengers would bring out rudeness, anger, or even tears from employees.

"On one of my first flights, I remember serving a drink to two people when I suddenly received a resounding swat on the bottom from an older lady seated on the other side of the aisle. When I recovered my balance and composure, I turned to discover all she wanted was a Scotch and water."

TA is helping stewardesses with such situations, she says.

"Often," she says, "there are times when the child ego state can be used effectively in handling a difficult situation—but with discretion. For example, when a male passenger shouted at the stewardess: 'Make me a Scotch and soda.'"

"The TA-trained stewardess replied with a magical gesture and the words: 'Okay. Poof: You're a Scotch and soda.'"

"The man laughed and a tense situation was avoided."

As another example of what Pan Am is doing with TA, she mentions sample responses which stewardesses are asked to judge in deciding how to handle a fairly common food-service situation, namely the passenger who says: "I'm not hungry now. May I eat later?"

Everyone strives to please passengers, but there is also a need to comply with company regulation, Ms. Sinclair says.

So these possible responses to the passenger are cited:

Nurturing parent: "That's all right. I'll keep it warm and bring it back later."

Critical parent: "You'll eat now or you won't get any dinner."

Adult: "We will be landing in approximately an hour. Perhaps you would prefer a cup of coffee and dessert instead?"

Says Ms. Sinclair:

"The adult response, of course, is the most effective."

### Operators on the firing line

TA has also been introduced at the New York Telephone Co., as a means of improving employee-customer relations. About 700 of the company's employees have taken the course thus far at a cost of about \$100,000.

"Irate customers frequently project their irritations to our service personnel," says Dolores Schatz, training center administrator. "It isn't easy to keep levelheaded when there is a furious or offbeat customer on the other end of the line. TA training has helped tremendously here."

"One service representative, for example, always went through a hassle with a customer in Brooklyn. He always paid his bill, but only after a scene. After training, she realized that the man had a fantastic child ego state and that, if she stayed in her adult role and played the game with him, the bill would always be paid."

"This is an example of the routine:

"Mr. X: 'City Morgue.'"

"Representative: 'This is Ms. Z from the telephone company. May I speak to Mr. X?'"

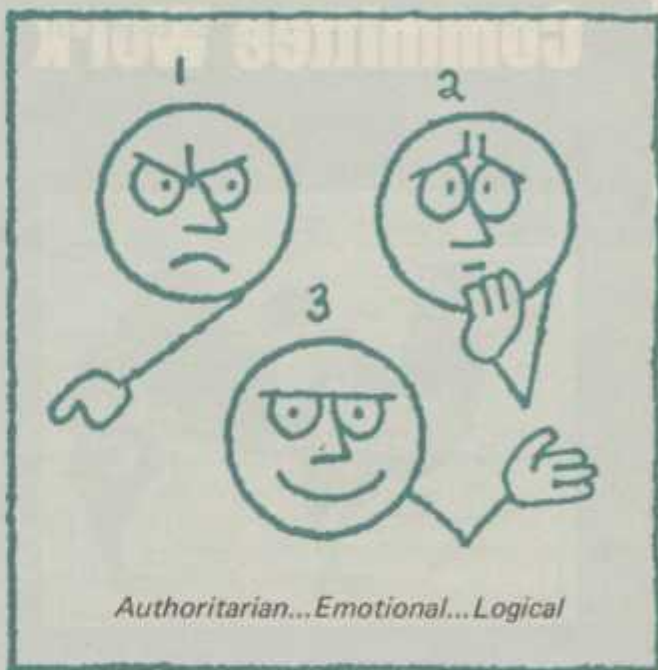
"Mr. X: 'Oh, gee, he's frozen stiff.'"

"Representative: 'I really have this problem and hope I can speak with him. Do you think you can heat him up?'"

"Mr. X: 'Sure, just a minute.'"

"Then, holding the phone for a moment, he comes back as Mr. X."

Winfield Firman, a personnel director at Sears, Roe-



buck and Co., says, "I really don't know how TA's effectiveness can be measured, but there's little doubt that it has made our employees better communicators, particularly in customer contact."

So far, about 350 Sears managerial employees, in a ten-week, 20-hour program, have been given the course at a cost of less than \$50 per employee.

### Improved productivity

Objectives of improved productivity and job satisfaction, and less managerial conflict, led to introduction of TA at the General Telephone Co. of the Southwest, San Angelo, Texas, early in 1973. At a cost of about \$100 per employee, the one-week course (36 hours), limited to ten students at a time, has been given to 810 employees, from executives to foremen.

A study involving 96 managers who took TA, and a control group of managers who did not, showed TA saved \$46,000 in training and processing replacement costs because of a sharp decline in resignations. Projections now are that, when all managers go through the TA program, the company will save \$155,000; \$300,000, if all employees take it.

The company finds that tension is relieved because most managers have gained insight into ways of deal-



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## Effectiveness on the Job *continued*

ing with subordinates and, in some cases, with bosses.

At Western Electric, as at many other companies, TA has been helpful in accelerating compliance with equal employment goals by showing employees how prejudices and fears stem from parental attitudes.

TA's introduction at Western Electric began as a pilot test, at a New England location, to effect changes in employee attitudes.

Soon the program spread to other locations in the East and Midwest.

Currently, 1,000 employees have participated in TA programs. In New York City, about 300 supervisors have participated at a cost of approximately \$30,000. Western Electric's Corporate Education Center in Princeton, N.J., where management personnel and engineers are trained, has incorporated transactional analysis into one of its five-day programs.

### "We care about you"

Robert H. Lippincott, a personnel research and development manager for Western Electric, emphasizes that his company is still measurement-oriented in research studies, but notes: "We will not reject a program because we don't see quantifiable results. It is valuable to tell people, 'Here is something for you to learn. We care about you.' There may be very real value in organizational intervention that can't be spotted on the bottom line."

Erica Van Acker, director of training at New York City's Off-Track Betting Corp., agrees. "Within TA's framework, which is a very safe, nonthreatening structure," she says, "there is a sense of immunity, a chance to air feelings. It's a gripe method, a way of getting things out into the open."

The quasi-governmental company first latched on to TA because cashiers "received a lot of dumping from the public."

Off-Track Betting Corp. started with 30 employees four years ago and has mushroomed to 2,700. To date, 500, including managers, have had 12 hours of TA training each.

### Kindling enthusiasm

Ms. Van Acker maintains that one of TA's values is in kindling enthusiasm for many jobs that tend to be monotonous.

Dr. John O'Hearne, clinical professor of psychiatry at the University of Kansas Medical Center, believes TA "will be oversold to business." However, he says he has found it to be the simplest method of helping to modify behavior because it is "readily understood, even by small children."

TA cannot guarantee that human relations problems will disappear. But its role in future organization development programs seems assured. **END**

THE AUTHOR is president of *Public Relations Analysts, Inc.*, New York City, and chairman of career clinics, *American Women in Radio and Television Educational Foundation*. Reprints of this article are available from *Nation's Business*. See page 40 for details.



## How Young Ideas Promote Prosperity in the Dominican Republic

This Caribbean country encourages investment. Here is what's happening as a result

**T**he Dominican Republic is an old country with young ideas. Under the leadership of its President, Dr. Joaquin Balaguer, this nation of contrasts between the old and new worlds has achieved prosperity in an era of global economic instability.

In spite of a 239 percent increase in the cost of imported petroleum products, the gross national product went up 8.9 percent last year, a rate of increase comparable to that of the oil-producing nations of Ecuador and Venezuela. The forecast is for even greater Dominican growth this year.

The Dominican economy is one of the healthiest in the hemisphere, if not the world.

While petroleum costs and increasing demand for imported goods caused a \$13.4 million balance of payments deficit last year, a surplus expected this year has enabled President Balaguer to promise social improvements, especially in agriculture.

Over the past five years, the GNP has grown an average of 10.6 percent annually. Growth has been particularly rapid in construction, manufacturing, and mining. Tourism is also on the rise.

### Sugar is big

However, agricultural products remain the chief resource, with sugar the principal export. Sugar sales to the U.S. and other world markets should bring in \$680 million this year. Exports also include tobacco, cacao, coffee, hides, and fruit.

Rice, beans, potatoes, tomatoes, bananas, and plantains are grown

mostly for domestic consumption.

The Dominican Republic is one of the few sources of amber in the western hemisphere and has excellent potential as a supplier of marble and alabaster. Unexploited mineral deposits include copper, iron, zinc, gypsum, sulfur, coal, molybdenum, cobalt, tin, and antimony. Salt is mined for local consumption.

Geologists see a possibility of petroleum deposits, and requests for drilling rights have been made.

### Bauxite and gold

Mining is developing rapidly. Alcoa has been mining bauxite in the Dominican Republic since 1959 and exported more than 1.7 million metric tons in 1974. Falconbridge Nickel Mines, Ltd., with an investment of \$200 million-plus, began mining and processing ferronickel three years ago and last year exported 67 million tons of nickel valued at \$97 million.

Rosario Dominicana, a subsidiary of Rosario Resources, of New York, has just started mining gold and silver. Its investment is more than \$45 million. Predictions are that Rosario will export 350,000 ounces of gold and 1.5 million ounces of silver next year, grossing between \$60 million and \$70 million. This will make the Dominican Republic the largest gold producer in Latin America, second largest in the hemisphere, and seventh largest in the free world.

An agrarian reform plan to give unused land to small farmers is expected to stimulate agricultural employment. Recently adopted measures

offer additional incentives to commercial banks to grant farm loans.

In addition, \$200 million is slated for investment in dams and irrigation projects.

Other private and government projects, including newly constructed ports, highways, and airports, have, with the aid of international banking institutions, contributed to a sound infrastructure.

While enjoying prosperity, the Dominican Republic is not without problems. There is no visible successor to President Balaguer, and concern has been expressed that one be groomed before the 1978 elections, when the President plans to step down. Also, efforts to publicize birth control methods have met with little success in this nation whose population increases at the alarming rate of 3.5 percent yearly.

The Dominican Republic welcomes foreign investment and has passed vigorous legislation, such as the industrial incentive law of 1968, to attract new industry. These laws, of course, also encourage the growth of local businesses.

There are many opportunities for investment.

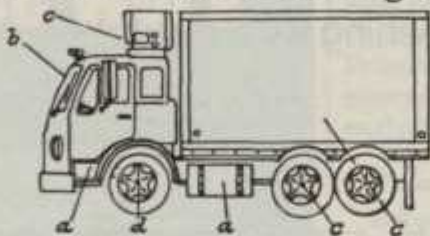
### Fruits that grow wild

With tourism a growing industry, allied ventures in restaurants, transportation, and other services are sure to develop. In agribusiness, there is a need for intensive farming, packaging, and canning. Proper cultivation and packing could enable the Dominican Republic to become a ma-



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## Young Ideas Promote Prosperity *continued*

for winter supplier of melons and citrus fruits—which now grow wild.

Tax treatment of foreign investment depends on such factors as whether the goods are manufactured exclusively for export, location of plants, the amount of raw materials to be used, whether the goods replace imports, size of the labor force needed, the value to the economy, and the effect on the balance of payments.

Generally, those manufacturing exclusively for export receive 100 percent exemption from import duties affecting machinery, raw materials, and spare parts, as well as complete exemption from income tax. If an industry manufactures goods for domestic consumption that were not previously produced locally, it receives as much as 95 percent exemption from income tax. Incentive periods are geared to localities and range from eight to 20 years, the longest going to the poorer frontier areas.

Exporters to the Dominican Republic will find great sales potential for equipment for food processing and packaging, hotels, hospitals, restaurants, leisure sports, agriculture, irrigation, sewage disposal and water supply, power generating and transmission, earth moving, and mining.

### Duty-free zones

Zones have been established throughout the country for duty-free entry of materials used in production of goods that will ultimately be exported. Export manufacturers are not required to locate in these regions, but it is often more convenient because the zones offer transportation, inspection services, electric power, and water, as well as building facilities.

A special incentive law for investment in tourism provides for duty-free equipment and furnishings, tax exemptions of 100 percent, and repatriation of capital expenditures. Tourism is a sleeping giant in the Dominican Republic. For all its thousand miles of beautiful beaches, the republic has only 2½ percent of the Caribbean tourist trade.



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Of course, this does not take into account the income tax you would pay on the return from your investment. But sound tax planning can reduce this factor to a minimum.

And if you are older than 30, it is true that you do not have as long a period of time to pyramid your savings, but you probably are earning more than you did at 30 and can afford to save and invest more than \$80 a month.

\$80 a month, admittedly, is not "small change." But with shrewd money management, many families can save that amount. And getting a return of 15% on an investment, although very good, is not as impossible as it may sound.

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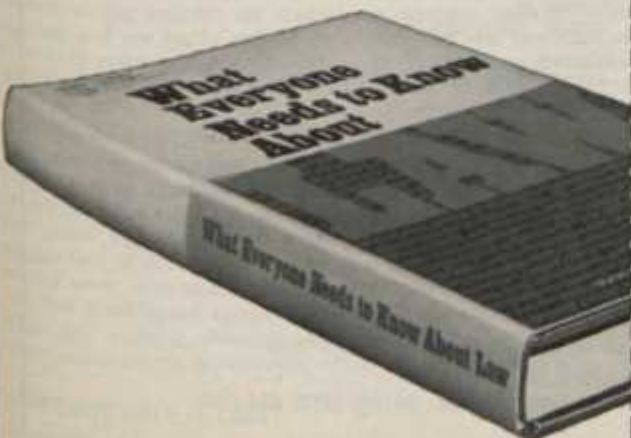
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- ★ You get highest quality materials.
- ★ No heating — No hazardous hot tar to handle.

#### HOW DOES IT WORK?

We loan you **FREE OF CHARGE**, a complete R-5 Roof Spray Kit valued at \$1995.00. One of our Roofing Consultants instructs your men on the set-up and use of the equipment and supplies them with the required "Roofing Know-How." The Roof Spray equipment pumps R-11 Shield-Tite® Roof Preserver from drums on the ground and distributes it evenly over the roof surface by means of a pole spray gun. R-11 Shield-Tite® Roof Preserver is a special plastic waterproofing compound which penetrates into the old, dry roofing felts renewing them to a soft pliable waterproof state. It also forms a seamless top-dressing which sheds water and protects your roof from the elements for many years. It resists oxidation caused by ultraviolet rays and heat from the sun which eventually cause shrinkage and embrittlement.

#### WHAT IS R-11 SHIELD-TITE® ROOF PRESERVER?

R-11 Shield-Tite® Roof Preserver is a fine quality roofing compound which affords the maximum waterproofing per dollar invested. It is internally plasticized for pliability and is reinforced with asbestos fiber for stability. It bonds tightly to the old roofing felts and is highly resistant to alligatoring, checking, peeling, and cracking. Its waterproofing asphalts are made from carefully selected crude oil sources and are highly refined to achieve the best combination of softening point, penetration, and ductility. This gives it the needed adhesiveness, penetration into the surface, and durability.

#### HOW CAN I SAVE MONEY?

The major expense of any roof job is the contractor's labor charge. Our R-5 Roof Spray System utilizes your own men or spot laborers at normal labor rates and allows the work to proceed at an extremely fast pace. Your three-man crew will cover approximately 35,000 square feet of roof in one day, whereas the same crew hand brushing would cover only about 5,000 square feet. Your roofing cost with the R-5 Roof Spray system is about 6¢ per square foot, including labor and material. Roofing work is handled as a "fill-in job" by many maintenance departments which further conserves labor costs.

#### HOW LONG WILL IT LAST?

All roofing felts are saturated with oils and asphalts in their manu-

facture. These oils slowly oxidize and expose the vegetable fiber felts. A proper roof maintenance program should call for recoating them at intervals of three to five years to keep them soft, pliable and waterproof. A program of this nature can eliminate the tremendous costs involved in roof replacement.

#### ARE MY MEN QUALIFIED?

Yes, no roofing experience whatsoever is required. One of our Roofing Consultants will visit your jobsite and show your men how to set up and use the equipment. He will explain the basic principles of roofing, including proper patching and resurfacing procedures. As the job progresses, he will follow it closely to insure the quality results which the process is capable of producing. You also benefit in that your men will thereafter be qualified to maintain your roofs at minimum cost.

#### HOW DO I GET STARTED?

Order one PC-70 Shield-Tite® Roofing Kit at \$406.00. Each kit contains sufficient material for 7,000 square feet of roof. Along with your order, we send an R-5 Roof Spray Kit for you to use at **NO CHARGE**. Call us collect at (216) 283 - 0300, and we will help you get started. We shall also send you our big 64 page maintenance catalog which gives you the full details on the roof spray process.

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# BUSINESS: A LOOK AHEAD

BY GROVER HEIMAN  
Associate Editor

## Farm Exports Are Expected to Nose-Dive

If the Agriculture Department outlook for fiscal 1976 holds up, agricultural exports will drop more than 20 percent from their level in the fiscal year just ended.

In fiscal 1975, it's estimated, exports were a record \$22 billion and imports reached \$9.7 billion. Exports, a key element in the nation's trade balance, are expected to total no more than \$18 billion in the new fiscal year. Imports are expected to slide just below \$9 billion.

One reason cited for the anticipated decline in exports is the slow recovery in most developed countries from the recession. Another reason is the reduction in many developing countries' earnings due to sharp drops in raw material prices.

Agriculture Department economists also note many uncertainties for the coming year. For example, grain stocks are low everywhere—making grain prices very sensitive to changes in the world production outlook.

## Congress Ponders National Planning

It obviously wouldn't be as rigid as a Soviet five-year plan, but there would be a long-term economic plan for the U.S. if two liberal senators have their way.

Sens. Hubert H. Humphrey (D.-Minn.) and Jacob K. Javits (R.-N.Y.) have introduced a bill, the Balanced Growth and Economic Planning Act of 1975, which would establish machinery to produce such a plan.

A three-member Economic Planning Board would be created in the Executive Office of the President. With the assistance of top federal officials and an Advisory Committee on Economic Planning, the board would draft the plan and keep it updated.

Every two years, the President would present updated versions of the plan to Congress, where the Joint Economic Committee would review them, hold public hearings,

and report concurrent resolutions of approval or disapproval.

Although the plan would not be legally binding on the government or the private sector, it would spell out a suggested blueprint for the future.

While backers of the bill say that much of today's economic difficulty could have been avoided through planning, critics argue that such proposals could lead to substitution of federal government controls for the country's free enterprise economy.

Sen. Humphrey says that long-term economic planning is not only necessary, but also too important to leave to any one group of experts. He says wide input is needed. The senator expects the bill to spark widespread debate. [See "Sound Off Response," page 16.]

## Will Comsat Shed Government Ties?

The 13-year-old Communications Satellite Corp., contending that it is now a mature, viable enterprise, is asking Congress to let it operate more like other companies in the same field.

Under bills introduced in the Senate and House at the request of the White House Office of Telecommunications Policy, Comsat would be reborn—but not entirely to its own liking.

It would be strictly a private, for-profit corporation and have no ties to the United States government. No longer would it be the government's designated instrument for participation in developing international satellite communications systems.

Eliminated would be the requirement that the Comsat board include common carrier representatives and three directors named by the President. Directors would be named by shareholders as in other corporations.

The bill would also repeal a provision requiring Comsat to obtain Federal Communications Commission approval prior to seeking additional capital. The revamped Comsat would be subject to FCC regulations like any other common carrier.

Comsat generally agrees to the new proposals, but would prefer to retain the three directors appointed by the President and its status as America's official agent in international satellite communications.



## Striking Two Blows Against Mandatory Retirement

The ravages of inflation on fixed pensions are giving new life to congressional moves to end mandatory retirement at age 65.

Reps. Paul Findley (R.-Ill.) and Benjamin S. Rosenthal (D.-N.Y.) have introduced separate bills that, if passed, would give senior citizens the same protection given their juniors by the Age and Discrimination Act of 1967. That legislation banned employment

discrimination against those aged 40 to 65.

Rep. Rosenthal estimates that 4.5 million persons over 65 have been retired against their wishes.

"Mandatory retirement," he says, "tells all Americans that at 65 their country no longer needs them. It offends the basic American principle that each person should be judged on his individual merits."

## Is a Rice Field a Waterway?

Congress is considering legislation to head off a massive expansion of the U.S. Army Corps of Engineers' jurisdiction over the nation's waterways.

Unless something is done, the measure's sponsors say, a farmer might have to apply for Corps of Engineers permission to build a culvert across a brook on his land. Also, a rice farmer might need a new permit every time he wanted to flood his fields, and a summer-home owner might have to get the Engineer Corps' okay to build a pier on a landlocked pond.

The problem arises from differing definitions of navigable waters. The 1899 Rivers and Harbor Act gave the Corps of Engineers authority to issue or deny permits for construction, dredging, filling, discharges, and other activity that would affect navigable waters. Down through the years, the courts

came to define these waters as those that have been, or may be, used for foreign or interstate commerce. However, the Federal Water Pollution Control Act amendments of 1972 defined navigable waters as "the waters of the United States" for purposes of Corps of Engineers permits.

The corps has advised Congress it will need to hire another 5,000 employees and spend an additional \$100 million to operate its permit program under the new rules.

But Sens. James A. McClure (R.-Idaho), Frank Church (D.-Idaho), and James L. Buckley (R.-Cons.-N.Y.) have introduced a bill under which states could assume jurisdiction over issuing permits for construction, dredging, or filling in waterways.

To do so, a state would have to set up its own permit program, using standards acceptable to the federal government.

## More Aid Sought for Small Business

Economic development will be aided in many communities if a bill to amend the Small Business Act becomes law.

The bill, sponsored by Sens. Gaylord Nelson (D.-Wis.) and Jacob Javits (R.-N.Y.), contains a number of provisions. One would make it possible for a local development corporation to obtain a Small Business Administration loan to acquire an existing plant for lease to a small firm. Currently, no such loans can be made.

Other provisions in the legislation would:

- Expand the SBA lease guarantee program by covering personal as well as real property.
- Raise the local development corporation loan maximum from \$350,000 to \$500,000.
- Enable SBA to render financial and other aid to small businesses displaced by state and local urban renewal projects, in addition to federal projects.

## The Senate May Boost Its Productivity

Businessmen who feel the Senate moves with agonizing sluggishness on needed legislation have some reason to take heart.

After observing the time-saving benefits of the electronic voting system installed in the House of Representatives in 1973, the Senate may have itself similarly wired.

Voting by the 435 members of the House can be completed in 15 minutes. The prize in the Senate: a saving of the equivalent of 30 working days annually, according to Senate Majority Whip Robert C. Byrd (D.-W.Va.).

Sen. Byrd has introduced a resolution that

would have the Committee on Rules and Administration arrange for installation of electronic voting equipment in the Senate.

He anticipates considerable time-saving on roll call votes, which now can take a half-hour or more.

There were 1,138 roll calls last year. If electronic voting had sliced some ten minutes from each, as Sen. Byrd estimates is possible, the Senate would have saved approximately 180 hours.

That, he advises his peers, amounts to 30 six-hour days.



## New Guidelines for Buying Pots and Pans



NEW GUIDELINES for the purchase of pots and pans are now available from the federal government.

The guidelines were published in a booklet by the General Service Administration's Consumer Information Center. The booklet, aimed at the comparatively new housewife, is one of some 250 titles produced by that arm of the government.

It is possible that not many businessmen or businesswomen have been waiting breathlessly for the issuance of these guidelines, but you might be interested to know that the booklet points out:

"Good pots and pans are an asset in any kitchen. . . . Your family's size and eating habits determine the pots and pans you need for successful cooking."

While you are chewing on that bit of wisdom, take a look at this additional comment: The pot or pan should be "easy and safe to carry and pour from and certain to sit on a level surface without tipping, whether full or empty."

There is more information available to the consumer: "Handles should be easy to grip, sturdy . . . [and] fastened so they can neither rotate nor wobble up or down."

The consumer also is told: "Smooth rims, coatings, linings, and finishes without pits, chips, or gaps are marks of good workmanship; they are important to the looks of a pot or pan and its durability. . . ."

"For a good buy in pots and pans, know what you want before you shop."

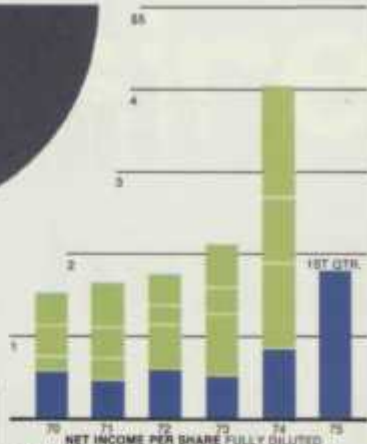
"Then check newspapers for advertisements of sales and shop in several stores to see how brands and styles compare in price."

It is not our purpose to ridicule the government. However, those public employees in charge of these matters appear to have made a fundamental mistake—namely, the assumption that individual Americans lack even the most basic ability to protect themselves against bad judgment in choosing among the many products competing on the basis of price and quality.

A government agency that sees a need to spend tax money to inform consumers that pots and pans are handy in the kitchen—and that they should sit on a level surface without tipping—raises a question as to who needs protection from what.



# Williams is number



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